The Fiscal Monitor

A Publication of the Department of Finance

Highlights of financial results for January 2000

Budgetary surplus of $0.9 billion in January 2000

There was a budgetary surplus of $0.9 billion in January 2000, up $1.8 billion from the deficit of $0.9 billion in January 1999. This year-over-year improvement was entirely attributable to higher budgetary revenues, up $2.0 billion, or 16.9 per cent. However, most of this increase reflected the timing of receipts, which should be reversed in February.

The increase in budgetary revenues was concentrated in personal income tax and goods and services tax (GST) revenues.

- Personal income tax revenues were up $1.0 billion, or 15.8 per cent. Over half of this increase was attributable to the timing of receipts between January and February. The rest reflects the impact of a strong economy – more than 425,000 jobs were added in 1999.
- GST revenues were up $1.1 billion, more than double what they were in January 1999. This increase reflects a number of factors. First, gross collections were up strongly, attributable to the strong growth in those expenditures subject to the GST. Second, refunds declined on a year-over-year basis, reflecting lags in the processing of refunds. Over time, the growth in revenues should mirror the growth in gross collections. Finally, some advance payments of the GST quarterly credit were made in December 1999.

Among the other main revenue components:

- Corporate income tax revenues were down slightly, reflecting both lower gross collections and higher refunds.
- Employment insurance (EI) premium revenues were down 7.5 per cent due to the reduction in premium rates from $2.55 (employee rate per $100 of insurable earnings) to $2.40, effective January 2000.

Program spending was up $0.2 billion, or 1.7 per cent. Most of this increase was attributable to higher transfers to persons and to other levels of government. Direct program spending declined.

Public debt charges increased slightly, reflecting a small increase in the stock of interest-bearing debt.

Year-to-date: budgetary surplus of $11.9 billion

Over the April 1999 to January 2000 period, the budgetary surplus was estimated at $11.9 billion, up $2.4 billion from the surplus recorded in the same period of 1998-99. As indicated in the February 2000 budget, developments over the balance of the fiscal year should reduce the surplus to date to about $7.5 billion. In addition, the policy initiatives proposed in the 2000 budget will reduce the reported surplus to date by an additional $4.5 billion. Allowing for the $3-billion Contingency Reserve results in a balanced budget. To the extent that the Contingency

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Table 1
Summary statement of transactions

	January		April to January	
	1999	2000	1998-99	1999-00
	(millions of dollars)			
Budgetary transactions				
Revenues	11,824	13,823	127,835	133,542
Program spending	-9,198	-9,355	-83,796	-87,299
Operating surplus	2,626	4,468	44,039	46,243
Public debt charges	-3,537	-3,549	-34,595	-34,375
Budgetary balance (deficit/surplus)	-911	919	9,444	11,868
Non-budgetary transactions	2,055	2,481	-1,228	-2,873
Financial requirements/surplus (excluding foreign exchange transactions)	1,144	3,400	8,216	8,995
Foreign exchange transactions	-3,841	-6,099	-446	-6,407
Net financial balance	-2,697	-2,699	7,770	2,588
Net change in borrowings	-4,849	-140	-16,377	-2,688
Net change in cash balances	-7,546	-2,839	-8,607	-100

Note: Positive numbers indicate a net source of funds. Negative numbers indicate a net requirement for funds.

Reserve is not needed, it will be used to pay down the public debt. For more information, see Chapter 3 of *The Budget Plan 2000.*

Over the first 10 months of 1999-2000, budgetary revenues were up $5.7 billion, or 4.5 per cent, on a year-over-year basis.

- Personal income tax revenues were up $3.6 billion, or 5.6 per cent. As noted above, part of this increase is attributable to the timing of receipts. However, most of it reflects higher receipts from monthly deductions from employment income, due to increases in the number of people employed. Dampening these developments were higher personal income tax refunds relating to the 1998 taxation year, higher Canada Child Tax Benefit payments, increases in the amount of income Canadians can receive tax-free and the elimination of the 3-per-cent surtax, reflecting the measures announced in the 1998 and 1999 budgets.
- Corporate income tax revenues were up $0.3 billion, or 1.7 per cent. Although corporate profits are estimated to have picked up strongly in 1999, refunds relating to overpayments with respect to taxation year 1998 and instalment payments based on 1998 liabilities are dampening revenues to date in 1999-2000. *The Budget Plan 2000* projected a strong pickup in corporate income tax revenue over the final months of the fiscal year as corporations file their settlement payments for taxation year 1999.

Table 2

Budgetary revenues

	January			April to January		
	1999	2000	Change	1998-99	1999-00	Change
	(millions of dollars)		(%)	(millions of dollars)		(%)
Income taxes						
Personal income tax	6,020	6,974	15.8	63,122	66,673	5.6
Corporate income tax	1,626	1,608	-1.1	15,488	15,748	1.7
Other income tax revenue	569	589	3.5	2,290	2,762	20.6
Total income tax	8,215	9,171	11.6	80,900	85,183	5.3
Employment insurance premium revenues	1,457	1,347	-7.5	15,450	14,659	-5.1
Excise taxes and duties						
Goods and services tax	1,022	2,088	104.3	17,370	19,741	13.6
Customs import duties	180	107	-40.6	1,998	1,871	-6.4
Sales and excise taxes	746	706	-5.4	7,166	6,888	-3.9
Total excise taxes and duties	1,948	2,901	48.9	26,534	28,500	7.4
Total tax revenues	11,620	13,419	15.5	122,884	128,342	4.4
Non-tax revenues	204	404	98.0	4,951	5,200	5.0
Total budgetary revenues	11,824	13,823	16.9	127,835	133,542	4.5

- EI premium revenues were down $0.8 billion, or 5.1 per cent, as the decline in EI premium rates and adjustments relating to previous years more than offset the impact of the growth in the number of people employed and therefore paying premiums.
- Excise taxes and duties increased $2.0 billion, or 7.4 per cent, with all of the increase attributable to higher GST revenues, up $2.4 billion, or 13.6 per cent. Most of this is due to the strong gains in those expenditures subject to the GST. However, the timing of refunds should depress revenues over the balance of the fiscal year. Customs import duties were down 6.4 per cent. Sales and excise taxes and duties declined 3.9 per cent, primarily attributable to the elimination of the Air Transportation Tax, effective November 1998.
- Non-tax revenues, consisting of the return on investments and other non-tax revenues, such as fees and proceeds from sales, were up 5.0 per cent. This component of budgetary revenues is quite volatile, reflecting the timing of receipts.

Program spending increased by $3.5 billion, or 4.2 per cent, in the April 1999 to January 2000 period, compared to the same period of 1998-99.

- Major transfers to persons were up 1.5 per cent, as higher elderly benefit payments more than offset a decline in EI benefits. The increase in elderly benefits

Table 3
Budgetary expenditures

	January			April to January		
	1999	2000	Change	1998-99	1999-00	Change
	(millions of dollars)		(%)	(millions of dollars)		(%)
Transfer payments to:						
Persons						
Elderly benefits	1,897	1,972	4.0	18,904	19,386	2.5
Employment insurance benefits	1,162	1,324	13.9	9,263	9,204	-0.6
Total	3,059	3,296	7.7	28,167	28,590	1.5
Other levels of government						
Canada Health and Social Transfer	1,042	1,042	0.0	10,417	10,417	0.0
Fiscal transfers	862	989	14.7	8,045	9,020	12.1
Alternative Payments for Standing Programs	-187	-188	0.5	-1,867	-1,876	0.5
Total	1,717	1,843	7.3	16,595	17,561	5.8
Direct program spending						
Subsidies and other transfers						
Agriculture	46	41	-10.9	520	570	9.6
Foreign Affairs	280	160	-42.9	1,267	1,212	-4.3
Health	87	43	-50.6	808	861	6.6
Human Resources Development	305	96	-68.5	1,685	1,247	-26.0
Indian and Northern Development	160	161	0.6	3,167	3,270	3.3
Industry and Regional Development	113	77	-31.9	1,168	1,136	-2.7
Veterans Affairs	116	119	2.6	1,140	1,157	1.5
Other	218	810	271.6	1,869	2,332	24.8
Total	1,325	1,507	13.7	11,624	11,785	1.4
Payments to Crown corporations						
Canadian Broadcasting Corporation	65	20	-69.2	824	730	-11.4
Canada Mortgage and Housing Corporation	180	150	-16.7	1,490	1,495	0.3
Other	108	71	-34.3	841	875	4.0
Total	353	241	-31.7	3,155	3,100	-1.7
Operating and capital expenditures						
Defence	832	739	-11.2	7,684	8,643	12.5
All other departmental expenditures	1,912	1,729	-9.6	16,571	17,620	6.3
Total	2,744	2,468	-10.1	24,255	26,263	8.3
Total direct program spending	4,422	4,216	-4.7	39,034	41,148	5.4
Total program expenditures	9,198	9,355	1.7	83,796	87,299	4.2
Public debt charges	3,537	3,549	0.3	34,595	34,375	-0.6
Total budgetary expenditures	12,735	12,904	1.3	118,391	121,674	2.8
Memorandum item:						
Total transfers	6,101	6,646	8.9	56,386	57,936	2.7

reflected an increase in the number of individuals eligible for benefits and higher average benefits, which are indexed to inflation. The decline in EI benefit payments was due to a decline in the number of beneficiaries, reflecting a reduction in the number of people unemployed. In contrast, special EI benefits and payments under employment benefit and support measures were higher.

- Major transfers to other levels of government were up $1.0 billion, or 5.8 per cent, reflecting much higher fiscal transfers, most notably for Equalization. As indicated in the 1999 budget, Equalization entitlements were revised up significantly due to historical data revisions, which indicated much stronger economic growth in Ontario than in the Equalization-receiving provinces.
- Direct program spending, consisting of total program spending less the major transfers to persons and other levels of government, increased by $2.1 billion, or 5.4 per cent. This component includes subsidy and other transfer payments, payments to Crown corporations, and the operating and capital costs of government, including defence. Developments in this component are affected by the timing of payments, as well as the lifting of the wage freeze, the effect of new initiatives announced in the February 1999 budget, and the costs associated with Canada's international peacekeeping commitments.

Public debt charges declined 0.6 per cent from year-earlier levels, as a decline in the average effective interest rate more than offset the impact of an increase in the stock of interest-bearing debt.

Year-to-date: financial surplus of $9.0 billion (excluding foreign exchange transactions)

The budgetary balance is presented on a modified accrual basis of accounting, recording government liabilities when they are incurred, regardless of when the cash payment is made. In addition, the budgetary balance includes only those activities over which the Government has legislative control.

In contrast, financial requirements/surplus measures the difference between cash coming in to the Government and cash going out. Financial requirements/surplus differs from the budgetary balance, as the former includes transactions in loans, investments and advances, federal employees' pension accounts, other specified purpose accounts, and changes in other financial assets and liabilities. These activities are included as part of non-budgetary transactions. The conversion from accrual to cash is also reflected in non-budgetary transactions.

Non-budgetary transactions resulted in a net requirement of $2.9 billion in the first 10 months of 1999-2000, up from the net requirement of $1.2 billion in the same period of 1998-99. The higher requirement was due to the payment to a third-party trust of the $3.5-billion Canada Health and Social Transfer cash supplement, as announced in the 1999 budget. As a result, there was a financial surplus (excluding foreign exchange transactions) of $9.0 billion in the April 1999 to January 2000 period, up $0.8 billion from the financial surplus recorded in the same period of 1998-99.

Table 4

The budgetary balance and financial requirements/surplus

	January		April to January	
	1999	2000	1998-99	1999-00
	(millions of dollars)			
Budgetary balance (deficit/surplus)	-911	919	9,444	11,868
Loans, investments and advances				
Crown corporations	150	86	1,245	393
Other	71	39	-382	-64
Total	221	125	863	329
Specified purpose accounts				
Canada Pension Plan Account	744	-483	684	-471
Superannuation accounts	360	523	3,319	4,206
Other	-5	-24	3	-129
Total	1,099	16	4,006	3,606
Other transactions	735	2,340	-6,097	-6,808
Total non-budgetary transactions	2,055	2,481	-1,228	-2,873
Financial requirements/surplus (excluding foreign exchange transactions)	1,144	3,400	8,216	8,995
Foreign exchange transactions	-3,841	-6,099	-446	-6,407
Net financial balance	-2,697	-2,699	7,770	2,588

Table 5

Net financial balance and net borrowings

	January		April to January	
	1999	2000	1998-99	1999-00
	(millions of dollars)			
Net financial balance	-2,697	-2,699	7,770	2,588
Net increase (+)/decrease (-) in borrowings				
Payable in Canadian dollars				
Marketable bonds	0	0	5,972	6,949
Canada Savings Bonds	526	11	-1,623	-774
Treasury bills	-3,300	550	-28,500	-5,450
Other	-894	-93	387	-285
Subtotal	-3,668	468	-23,764	440
Less: Government's holding of unmatured debt	-48	28	-432	98
Total	-3,716	496	-24,196	538
Payable in foreign currencies				
Marketable bonds	455	–	9,681	2,527
Notes and loans	–	–	–	–
Canada bills	-1,588	-628	-787	-5,489
Canada notes	0	-8	-1,075	-264
Total	-1,133	-636	7,819	-3,226
Net change in borrowings	-4,849	-140	-16,377	-2,688
Change in cash balance	-7,546	-2,839	-8,607	-100

Table 6
Condensed statement of assets and liabilities

	March 31, 1999	January 31, 2000	Change
		(millions of dollars)	
Liabilities			
Accounts payable, accruals and allowances			
Accounts payable and accrued liabilities	24,509	18,765	-5,744
Interest and matured debt	9,791	10,200	409
Allowances	11,016	11,016	0
Total accounts payable, accruals and allowances	45,316	39,981	-5,335
Interest-bearing debt			
Pension and other accounts			
Public sector pensions	122,407	126,613	4,206
Canada Pension Plan (net of securities)	5,427	4,955	-472
Other pension and other accounts	6,724	6,594	-130
Total pension and other accounts	134,558	138,162	3,604
Unmatured debt			
Payable in Canadian dollars			
Marketable bonds	295,752	302,709	6,957
Treasury bills	96,950	91,500	-5,450
Canada Savings Bonds	27,662	26,978	-684
Other	4,063	3,778	-285
Subtotal	424,427	424,965	538
Payable in foreign currencies			
Marketable bonds	24,569	27,096	2,527
Canada bills	10,171	4,682	-5,489
Canada notes	1,261	996	-264
Subtotal	36,000	32,774	-3,226
Total unmatured debt	460,427	457,739	-2,688
Total interest-bearing debt	594,985	595,901	916
Total liabilities	640,301	635,882	-4,419
Assets			
Cash and accounts receivable	15,273	16,645	1,372
Foreign exchange accounts	34,668	41,074	6,406
Loans, investments and advances (net of allowances)	13,536	13,207	-329
Total assets	63,477	70,926	6,188
Accumulated deficit (net public debt)	576,824	564,956	-11,868

Year-to-date: net financial surplus of $2.6 billion (including foreign exchange transactions)

Foreign exchange transactions represent all transactions in international reserves held in the Exchange Fund Account. The purpose of the Exchange Fund Account is to promote order and stability in the foreign exchange market. It fulfills this function by buying foreign exchange (selling Canadian dollars) when there is upward pressure on the value of the Canadian dollar and selling foreign exchange (buying Canadian dollars) when there is downward pressure. The buying of Canadian dollars represents a source of funds from exchange fund transactions, while the selling of Canadian dollars represents a requirement. Changes in foreign currency liabilities, which are undertaken to change the level of Canada's foreign exchange reserves, also impact on foreign exchange transactions. Taking all of these factors into account, there was a net requirement of $6.4 billion in the April 1999 to January 2000 period, compared to a net requirement of $0.4 billion in the same period of 1998-99.

With a budgetary surplus of $11.9 billion, a net requirement of $2.9 billion from non-budgetary transactions and a net requirement of $6.4 billion from foreign exchange transactions, there was a net financial surplus of $2.6 billion in the April 1999 to January 2000 period, compared to a net surplus of $7.8 billion in the same period of 1998-99. This surplus, along with a reduction in cash balances of $0.1 billion, was used to retire $2.7 billion of market debt. Cash balances at the end of January 2000 stood at $9.2 billion.

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March 2000

The Fiscal Monitor

A Publication of the Department of Finance

Highlights of financial results for February 2000

Budgetary surplus of $3.1 billion in February 2000

There was a budgetary surplus of $3.1 billion in February 2000, up $2.5 billion from the surplus of $0.6 billion reported in February 1999. The key factor contributing to this year-over-year improvement was higher corporate income tax revenues, which were up $2.8 billion. Overall, budgetary revenues increased by $1.9 billion, program spending declined by $0.7 billion, while public debt charges increased by $0.1 billion.

Corporate income tax revenues amounted to $5.4 billion in February 2000, more than double the amount received in February 1999. This increase primarily reflects the interaction of remittance procedures for corporations with the strong pickup in economic growth through 1999. Corporations are required to file monthly instalments based on either their previous year's actual tax liability or their current year's estimated tax liability. They have 60 days after their year-end to make settlement payments for any amounts owing. As most of the large non-financial sector corporations have a December year-end, a substantial amount of corporate income tax revenues are received in the months of February and March – ranging from 25 per cent to 40 per cent of the total revenues for the year as a whole. Monthly instalment payments for 1999 were largely based on 1998 tax liabilities. However, according to Statistics Canada, corporate profits rose an estimated 25 per cent in 1999, after declining 6 per cent in 1998. As a result, monthly instalment payments for 1999 substantially understated the actual tax liability for the year as a whole, resulting in exceptionally large settlement period payments. The monthly remittance procedures, coupled with the volatility of corporate profits, make it extremely difficult to estimate corporate income tax revenues for the year as a whole. *The Budget Plan 2000* projected strong growth in corporate income tax revenues over the final months of the fiscal year, based on the information available at that time. However, data released since the budget indicate that economic growth throughout 1999 was much stronger than anticipated by private sector economists at that time. In particular, corporate profits were up 35 per cent at annual rates in the fourth quarter, resulting in the much higher corporate income tax revenues witnessed in February 2000. The other revenue components remain largely on track.

Among the other major revenue components:

- Personal income tax revenues declined $0.5 billion, or 8 per cent, from February 1999. As indicated in last month's *Fiscal Monitor*, a decline was expected, as part of the large year-over-year increase in January 2000 was attributable to the timing of receipts between January and February.
- Goods and services tax (GST) revenues declined $0.4 billion, or 20.7 per cent, as the growth in refunds and rebates outstripped the growth in gross receipts.

The decline in program spending was primarily attributable to the inclusion in the February 1999 results of prior-year adjustments to transfer payments to other levels of government. As noted in *The Budget Plan 1999*, data revisions

Table 1
Summary statement of transactions

	February		April to February	
	1999	2000	1998-99	1999-00
	(millions of dollars)			
Budgetary transactions				
Revenues	14,427	16,284	142,262	149,826
Program spending	-10,442	-9,723	-94,239	-97,022
Operating surplus	3,985	6,561	48,023	52,804
Public debt charges	-3,356	-3,481	-37,951	-37,856
Budgetary balance (deficit/surplus)	629	3,080	10,072	14,948
Non-budgetary transactions	670	405	-559	-2,469
Financial requirements/surplus (excluding foreign exchange transactions)	1,299	3,485	9,513	12,479
Foreign exchange transactions	1,814	-1,176	1,368	-7,584
Net financial balance	3,113	2,309	10,881	4,895
Net change in borrowings	2,154	-362	-14,222	-3,050
Net change in cash balances	5,267	1,947	-3,341	1,845

Note: Positive numbers indicate net source of funds. Negative numbers indicate net requirement for funds.

for 1996-97 and 1997-98 resulted in large upward revisions to Equalization entitlements amounting to $1.7 billion. These were included in the February 1999 results.

Year-to-date: budgetary surplus of $14.9 billion

Over the April 1999 to February 2000 period, the budgetary surplus was estimated at $14.9 billion, up $4.9 billion from the surplus recorded in the same period of 1998-99. As noted in the 2000 budget, economic and policy developments over the balance of the fiscal year are expected to reduce the cumulative surplus to date (see Chapter 3 of *The Budget Plan 2000*). The 2000 budget announced initiatives totalling $4.5 billion, including the Canada Health and Social Transfer cash supplement of $2.5 billion and $0.9 billion to the Canada Foundation for Innovation among others, which will be recorded in the balance of the fiscal year. In addition, the full costs of policy initiatives introduced in the 1999 budget and those announced prior to the 2000 budget, totalling about $1 billion, have yet to be reflected in the year-to-date results. Finally, adjustments will be made in the end-of-year accounting period to include the cost of goods and services received in late 1999-2000 but for which payments are not made until the April/May 2000 period and for personal income tax refunds processed in March 2000 relating to the 1999 taxation year.

These adjustments, coupled with the expected developments in February and March 2000 and the inclusion of $3 billion for the Contingency Reserve, underlie the balanced budget estimate in the February 2000 budget for 1999-2000.

However, given the strength in corporate income tax revenues in February 2000, the final outcome for 1999-2000 will be better than expected. Any surplus for 1999-2000 will be applied to reducing the federal debt. Final audited results for 1999-2000 will be released in the fall.

Table 2
Budgetary revenues

	February			April to February		
	1999	2000	Change	1998-99	1999-00	Change
	(millions of dollars)		(%)	(millions of dollars)		(%)
Income taxes						
Personal income tax	6,349	5,839	-8.0	69,471	72,512	4.4
Corporate income tax	2,635	5,394	104.7	18,123	21,142	16.7
Other income tax revenue	150	260	73.3	2,440	3,022	23.9
Total income tax	9,134	11,493	25.8	90,034	96,676	7.4
Employment insurance premium revenues	2,131	2,110	-1.0	17,580	16,768	-4.6
Excise taxes and duties						
Goods and services tax	2,152	1,706	-20.7	19,522	21,448	9.9
Customs import duties	222	164	-26.1	2,220	2,035	-8.3
Sales and excise taxes	608	577	-5.1	7,775	7,465	-4.0
Total excise taxes and duties	2,982	2,447	-17.9	29,517	30,948	4.8
Total tax revenues	14,247	16,050	12.7	137,131	144,392	5.3
Non-tax revenues	180	234	30.0	5,131	5,434	5.9
Total budgetary revenues	14,427	16,284	12.9	142,262	149,826	5.3

Over the first 11 months of 1999-2000, budgetary revenues were up $7.6 billion, or 5.3 per cent, on a year-over-year basis.

- Personal income tax revenues were up $3.0 billion, or 4.4 per cent, primarily reflecting higher receipts from monthly deductions from employment income, due to increases in the number of people employed. Dampening these developments were higher personal income tax refunds relating to the 1998 taxation year, higher Canada Child Tax Benefit payments, increases in the amount of income Canadians can receive tax-free and the elimination of the 3-per-cent surtax, reflecting the measures announced in the 1998 and 1999 budgets.
- Corporate income tax revenues were up $3.0 billion, or 16.7 per cent, somewhat below the estimated growth in corporate profits for 1999.
- Employment insurance (EI) premium revenues were down $0.8 billion, or 4.6 per cent, as the decline in EI premium rates more than offset the impact of the growth in the number of people employed and therefore paying premiums.
- Excise taxes and duties increased $1.4 billion, or 4.8 per cent, with all of the increase attributable to higher GST revenues, up $1.9 billion, or 9.9 per cent, reflecting the strong gains in those expenditures subject to the GST. Customs import duties were down 8.3 per cent, while sales and excise taxes and duties declined 4.0 per cent, primarily attributable to the elimination of the Air Transportation Tax, effective November 1998.
- Non-tax revenues, consisting of the return on investments and other non-tax revenues, such as fees and proceeds from sales, were up 5.9 per cent. This component of budgetary revenues is quite volatile, reflecting the timing of receipts.

Table 3

Budgetary expenditures

	February			April to February		
	1999	2000	Change	1998-99	1999-00	Change
	(millions of dollars)		(%)	(millions of dollars)		(%)
Transfer payments to:						
Persons						
Elderly benefits	1,924	1,969	2.3	20,829	21,355	2.5
Employment insurance benefits	1,185	1,121	-5.4	10,448	10,325	-1.2
Total	3,109	3,090	-0.6	31,277	31,680	1.3
Other levels of government						
Canada Health and Social Transfer	1,042	1,042	0.0	11,458	11,458	0.0
Fiscal transfers	2,396	975	-59.3	10,441	9,995	-4.3
Alternative Payments for Standing Programs	-187	-188	0.5	-2,054	-2,063	0.4
Total	3,251	1,829	-43.7	19,845	19,390	-2.3
Direct program spending						
Subsidies and other transfers						
Agriculture	47	195	314.9	567	765	34.9
Foreign Affairs	138	362	162.3	1,405	1,574	12.0
Health	55	71	29.1	863	932	8.0
Human Resources Development	144	103	-28.5	1,829	1,350	-26.2
Indian and Northern Development	182	218	19.8	3,349	3,488	4.2
Industry and Regional Development	224	172	-23.2	1,392	1,308	-6.0
Veterans Affairs	115	119	3.5	1,255	1,276	1.7
Other	218	279	28.0	2,087	2,611	25.1
Total	1,123	1,519	35.3	12,747	13,304	4.4
Payments to Crown corporations						
Canadian Broadcasting Corporation	45	75	66.7	869	805	-7.4
Canada Mortgage and Housing Corporation	135	150	11.1	1,625	1,645	1.2
Other	102	56	-45.1	943	931	-1.3
Total	282	281	-0.4	3,437	3,381	-1.6
Operating and capital expenditures						
Defence	853	1,007	18.1	8,536	9,648	13.0
All other departmental expenditures	1,824	1,997	9.5	18,397	19,619	6.6
Total	2,677	3,004	12.2	26,933	29,267	8.7
Total direct program spending	4,082	4,804	17.7	43,117	45,952	6.6
Total program expenditures	10,442	9,723	-6.9	94,239	97,022	3.0
Public debt charges	3,356	3,481	3.7	37,951	37,856	-0.3
Total budgetary expenditures	13,798	13,204	-4.3	132,190	134,878	2.0
Memorandum item:						
Total transfers	7,483	6,438	-14.0	63,869	64,374	0.8

Program spending increased by $2.8 billion, or 3.0 per cent, in the April 1999 to February 2000 period, compared to the same period of 1998-99.

- Major transfers to persons were up $0.4 billion, or 1.3 per cent, as higher elderly benefit payments more than offset a decline in EI benefits. The increase in elderly benefits reflected an increase in the number of individuals eligible for benefits and higher average benefits, which are indexed to inflation. The decline in EI benefit payments was due to a decline in the number of beneficiaries, reflecting a reduction in the number of people unemployed. In contrast, special EI benefits and payments under employment benefit and support measures were higher.
- Major transfers to other levels of government declined $0.5 billion, or 2.3 per cent, reflecting the impact of prior-year adjustments affecting fiscal transfers, most notably for Equalization. As indicated in the 1999 budget, Equalization entitlements were revised up significantly for years prior to 1999 due to historical data revisions, which indicated much stronger economic growth in Ontario than in the Equalization-receiving provinces. While an adjustment of $1.7 billion was included in the February 1999 results, no such large adjustments are expected this year.
- Direct program spending, consisting of total program spending less the major transfers to persons and other levels of government, increased by $2.8 billion, or 6.6 per cent. This component includes subsidy and other transfer payments, payments to Crown corporations, and the operating and capital costs of government, including defence. Developments in this component are affected by the lifting of the wage freeze, the effect of new initiatives announced in the February 1999 budget, and the costs associated with Canada's international peacekeeping commitments.

Public debt charges declined 0.3 per cent from year-earlier levels, as a decline in the average effective interest rate more than offset the impact of an increase in the stock of interest-bearing debt.

Year-to-date: financial surplus of $12.5 billion (excluding foreign exchange transactions)

The budgetary balance is presented on a modified accrual basis of accounting, recording government liabilities when they are incurred, regardless of when the cash payment is made. In addition, the budgetary balance includes only those activities over which the Government has legislative control.

In contrast, financial requirements/surplus measures the difference between cash coming in to the Government and cash going out. Financial requirements/surplus differs from the budgetary balance, as the former includes transactions in loans, investments and advances, federal employees' pension accounts, other specified purpose accounts, and changes in other financial assets and liabilities. These activities are included as part of non-budgetary transactions. The conversion from accrual to cash is also reflected in non-budgetary transactions.

Non-budgetary transactions resulted in a net requirement of $2.5 billion in the first 11 months of 1999-2000, up from the net requirement of $0.6 billion in the same period of 1998-99. The higher requirement was due to the payment to a third-party trust of the $3.5-billion Canada Health and Social Transfer cash supplement, as announced in the 1999 budget. As a result, there was a financial surplus (excluding foreign exchange transactions) of $12.5 billion in the April 1999 to February 2000 period, up $3.0 billion from the financial surplus recorded in the same period of 1998-99.

Table 4

The budgetary balance and financial requirements/surplus

	February		April to February	
	1999	2000	1998-99	1999-00
	(millions of dollars)			
Budgetary balance (deficit/surplus)	629	3,080	10,072	14,948
Loans, investments and advances				
Crown corporations	66	135	1,311	528
Other	125	149	-257	85
Total	191	284	1,054	613
Specified purpose accounts				
Canada Pension Plan Account	555	413	1,240	-58
Superannuation accounts	324	325	3,643	4,531
Other	-1	81	2	-49
Total	878	819	4,885	4,424
Other transactions	-399	-698	-6,498	-7,506
Total non-budgetary transactions	670	405	-559	-2,469
Financial requirements/surplus (excluding foreign exchange transactions)	1,299	3,485	9,513	12,479
Foreign exchange transactions	1,814	-1,176	1,368	-7,584
Net financial balance	3,113	2,309	10,881	4,895

Table 5

Net financial balance and net borrowings

	February		April to February	
	1999	2000	1998-99	1999-00
	(millions of dollars)			
Net financial balance	3,113	2,309	10,881	4,895
Net increase (+)/decrease (-) in borrowings				
Payable in Canadian dollars				
Marketable bonds	2,300	-600	8,272	6,349
Canada Savings Bonds	-201	-187	-1,825	-961
Treasury bills	2,200	100	-26,300	-5,350
Other	-279	0	108	-285
Subtotal	4,020	-687	-19,745	-247
Less: Government's holding of unmatured debt	558	-6	127	91
Total	4,578	-693	-19,618	-156
Payable in foreign currencies				
Marketable bonds	-2,801	-39	6,880	2,488
Notes and loans	–	–	–	–
Canada bills	377	370	-409	-5,118
Canada notes	0	0	-1,075	-264
Total	-2,424	331	5,396	-2,894
Net change in borrowings	2,154	-362	-14,222	-3,050
Change in cash balance	5,267	1,947	-3,341	1,845

Table 6

Condensed statement of assets and liabilities

	March 31, 1999	February 29, 2000	Change
		(millions of dollars)	
Liabilities			
Accounts payable, accruals and allowances			
Accounts payable and accrued liabilities	24,509	19,218	-5,291
Interest and matured debt	9,791	6,826	-2,965
Allowances	11,016	11,016	0
Total accounts payable, accruals and allowances	45,316	37,060	-8,256
Interest-bearing debt			
Pension and other accounts			
Public sector pensions	122,407	126,938	4,531
Canada Pension Plan (net of securities)	5,427	5,368	-59
Other pension and other accounts	6,724	6,674	-50
Total pension and other accounts	134,558	138,980	4,422
Unmatured debt			
Payable in Canadian currencies			
Marketable bonds	295,752	302,109	6,357
Treasury bills	96,950	91,600	-5,350
Canada Savings Bonds	27,662	26,785	-877
Other	4,063	3,778	-285
Subtotal	424,427	424,272	-155
Payable in foreign currencies			
Marketable bonds	24,569	27,057	2,488
Canada bills	10,171	5,053	-5,118
Canada notes	1,261	997	-264
Subtotal	36,000	33,106	-2,894
Total unmatured debt	460,427	457,378	-3,049
Total interest-bearing debt	594,985	596,358	1,373
Total liabilities	640,301	633,418	-6,883
Assets			
Cash and accounts receivable	15,273	16,368	1,095
Foreign exchange accounts	34,668	42,251	7,583
Loans, investments and advances (net of allowances)	13,536	12,923	-613
Total assets	63,477	71,542	8,065
Accumulated deficit (net public debt)	576,824	561,876	-14,948

Year-to-date: net financial surplus of $4.9 billion (including foreign exchange transactions)

Foreign exchange transactions represent all transactions in international reserves held in the Exchange Fund Account. The purpose of the Exchange Fund Account is to promote order and stability in the foreign exchange market. It fulfills this function by buying foreign exchange (selling Canadian dollars) when there is upward pressure on the value of the Canadian dollar and selling foreign exchange (buying Canadian dollars) when there is downward pressure. The buying of Canadian dollars represents a source of funds from exchange fund transactions, while the selling of Canadian dollars represents a requirement. Changes in foreign currency liabilities, which are undertaken to change the level of Canada's foreign exchange reserves, also impact on foreign exchange transactions. Taking all of these factors into account, there was a net requirement of $7.6 billion in the April 1999 to February 2000 period, compared to a net source of $1.4 billion in the same period of 1998-99.

With a budgetary surplus of $14.9 billion, a net requirement of $2.5 billion from non-budgetary transactions and a net requirement of $7.6 billion from foreign exchange transactions, there was a net financial surplus of $4.9 billion in the April 1999 to February 2000 period, compared to a net surplus of $10.9 billion in the same period of 1998-99. This surplus was used to retire $3.1 billion of market debt and increase cash balances by $1.8 billion. Cash balances at the end of February 2000 stood at $11.2 billion.

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April 2000

The Fiscal Monitor

A Publication of the Department of Finance

Highlights of financial results for March 2000

Budgetary deficit of $31 million in March 2000

There was a budgetary deficit of $31 million in March 2000, an improvement of $501 million from March 1999. Budgetary revenues were up $977 million, or 7.2 per cent, program spending increased $470 million, or 4.4 per cent, while public debt charges were virtually unchanged (up $6 million, or 0.2 per cent), from year earlier levels.

Year-to-date: budgetary surplus of $14.9 billion

Over 12 months (April 1999 to March 2000), the budgetary surplus was estimated at $14.9 billion, up $5.4 billion from the surplus of $9.5 billion reported in the same period of 1998-99. Budgetary revenues were up $8.5 billion, or 5.5 per cent, program spending was up $3.3 billion, or 3.1 per cent, while public debt charges were down $90 million, or 0.2 per cent.

Final results to come in the fall

The financial results for the April 1999 to March 2000 period are not the final results for the 1999-2000 fiscal year. Still to come are the regular end-of-year accounting adjustments.

Consistent with government accounting principles, these adjustments incorporate increases in program spending to include the costs of liabilities incurred during the fiscal year for which no payments were made in 1999-2000. For example, the 2000 budget announcement of a one-time cash supplement of $2.5 billion to the Canada Health and Social Transfer will be booked in the end-of-year accounting period, following passage of legislation. In addition, adjustments are made to include liabilities incurred by departments for goods and services received in late 1999-2000 but for which payments were made in the April/May 2000 period.

These adjustments, coupled with the inclusion of $3 billion for the Contingency Reserve, underlie the balanced budget estimate in the February 2000 budget for 1999-2000. However, the results to date indicate the final outcome for 1999-2000 will be better than expected. Economic growth for 1999 and the first quarter of 2000 was much stronger than expected by private sector economists when the budget estimates were finalized. This has translated into higher-than-expected personal and corporate income tax revenues. Spending remains largely on track. Any surplus for 1999-2000 will be applied to reducing the federal debt.

Final audited financial results for 1999-2000 will be released in the fall.

Year-to date: budgetary revenues up $8.5 billion

In the April 1999 to March 2000 period, budgetary revenues were up $8.5 billion, or 5.5 per cent, compared to the same period of 1998-99.

- Personal income tax revenues were up $4.0 billion, or 5.5 per cent, primarily

Table 1
Summary statement of transactions

	March		April to March	
	1999	2000	1998-99	1999-00
	(millions of dollars)			
Budgetary transactions				
Revenues	13,608	14,585	155,870	164,411
Program spending	-10,729	-11,199	-104,967	-108,221
Operating surplus	2,879	3,386	50,903	56,190
Public debt charges	-3,411	-3,417	-41,363	-41,273
Budgetary balance (deficit/surplus)	-532	-31	9,540	14,917
Non-budgetary transactions	1,771	3,677	1,210	1,210
Financial requirements/surplus (excluding foreign exchange transactions)	1,239	3,646	10,750	16,127
Foreign exchange transactions	-5,846	-1,661	-4,478	-9,244
Net financial balance	-4,607	1,985	6,272	6,883
Net change in borrowings	6,853	-128	-7,368	-3,178
Net change in cash balances	2,246	1,857	-1,096	3,705
Cash balance at end of period			9,285	13,011

Note: Positive numbers indicate a net source of funds. Negative numbers indicate a net requirement for funds.

reflecting higher receipts from monthly deductions from employment income, due to increases in the number of people employed. Dampening these developments were higher personal income tax refunds relating to the 1998 and 1999 taxation years and higher Canada Child Tax Benefit payments. The large increase in personal income tax revenues in March 2000 over March 1999 was primarily attributable to the reallocation of revenues from personal income tax to corporate income tax in March 1999. Personal income revenues in February 1999 were overstated and this was corrected in March 1999.

- Corporate income tax revenues were up $2.6 billion, or 12.3 per cent, about half the estimated increase in corporate profits for 1999. The decline in revenues in March 2000 over March 1999 was attributable to the reallocation noted above. Corporate income tax revenues were understated in February 1999 with a comparable upward correction in March 1999.
- Employment insurance (EI) premium revenues were down $0.9 billion, or 4.6 per cent, as the decline in the EI premium rate from $2.70 (employee rate per $100 of insurable earnings) in 1998 to $2.55 in 1999 and $2.40 in 2000 more than offset the impact of the growth in the number of people employed and therefore paying premiums.
- Excise taxes and duties increased $1.6 billion, or 5.1 per cent, with all of the increase attributable to higher goods and services tax (GST) revenues, up $2.0 billion, or 9.8 per cent, reflecting the strong gains in those expenditures subject to the GST. Customs import duties were down 6.6 per cent, while sales and excise taxes and duties declined

Table 2

Budgetary revenues

	March			April to March		
	1999	2000	Change	1998-99	1999-00	Change
	(millions of dollars)		(%)	(millions of dollars)		(%)
Income taxes						
Personal income tax	4,089	5,091	24.5	73,560	77,603	5.5
Corporate income tax	2,577	2,109	-18.2	20,700	23,251	12.3
Other income tax revenue	452	450	-0.4	2,892	3,472	20.1
Total income tax	7,118	7,650	7.5	97,152	104,326	7.4
Employment insurance premium revenues	1,808	1,735	-4.0	19,388	18,504	-4.6
Excise taxes and duties						
Goods and services tax	1,407	1,527	8.5	20,929	22,975	9.8
Customs import duties	149	177	18.8	2,369	2,212	-6.6
Sales and excise taxes	674	704	4.5	8,449	8,168	-3.3
Total excise taxes and duties	2,230	2,408	8.0	31,747	33,355	5.1
Total tax revenues	11,156	11,793	5.7	148,287	156,185	5.3
Non-tax revenues	2,452	2,792	13.9	7,583	8,226	8.5
Total budgetary revenues	13,608	14,585	7.2	155,870	164,411	5.5

3.3 per cent, primarily attributable to the elimination of the Air Transportation Tax, effective November 1998.

- Non-tax revenues, consisting of the return on investments and other non-tax revenues, such as fees and proceeds from sales, were up 8.5 per cent.

Year-to date: program spending up $3.3 billion

Program spending increased by $3.3 billion, or 3.1 per cent, in the April 1999 to March 2000 period, compared to the same period of 1998-99.

- Major transfers to persons were up $0.2 billion or 0.5 per cent, as higher elderly benefit payments more than offset a decline in EI benefits. The increase in elderly benefits reflected an increase in the number of individuals eligible for benefits and higher average benefits, which are indexed to inflation. The decline in EI benefit payments was due to a decline in the number of beneficiaries, reflecting a reduction in the number of people unemployed. In contrast, special EI benefits and payments under employment benefit and support measures were higher.
- Major transfers to other levels of government declined $0.6 billion, or 3.0 per cent, reflecting the impact of prior-year adjustments in 1998-99 affecting fiscal transfers, most notably for Equalization. As indicated in the 1999 budget, Equalization entitlements were revised up significantly for years prior to 1999 due to historical data revisions, which indicated much stronger economic growth in Ontario than in the Equalization-receiving provinces. While an adjustment of $1.7 billion was included in the February 1999 results, no such large adjustments are expected this year.
- Direct program spending, consisting of total program spending less the major transfers to persons and other levels of government, increased by $3.7 billion, or 7.7 per cent.

Table 3
Budgetary expenditures

	March			April to March		
	1999	2000	Change	1998-99	1999-00	Change
	(millions of dollars)		(%)	(millions of dollars)		(%)
Transfer payments to:						
Persons						
Elderly benefits	1,937	2,000	3.3	22,765	23,355	2.6
Employment insurance benefits	1,323	1,015	-23.3	11,772	11,340	-3.7
Total	3,260	3,015	-7.5	34,537	34,695	0.5
Other levels of government						
Canada Health and Social Transfer	1,042	1,042	0.0	12,500	12,500	0.0
Fiscal transfers	790	692	-12.4	11,231	10,687	-4.8
Alternative Payments for Standing Programs	-93	-188	102.2	-2,147	-2,251	4.8
Total	1,739	1,546	-11.1	21,584	20,936	-3.0
Direct program spending						
Subsidies and other transfers						
Agriculture	82	135	64.6	649	950	46.4
Foreign Affairs	230	327	42.2	1,635	1,901	16.3
Health	93	118	26.9	955	1,050	9.9
Human Resources Development	179	229	27.9	2,008	1,579	-21.4
Indian and Northern Development	340	217	-36.2	3,689	3,705	0.4
Industry and Regional Development	272	264	-2.9	1,664	1,572	-5.5
Veterans Affairs	117	121	3.4	1,372	1,397	1.8
Other	1,058	1,501	41.9	3,144	4,062	29.2
Total	2,371	2,912	22.8	15,116	16,216	7.3
Payments to Crown corporations						
Canadian Broadcasting Corporation	27	66	144.4	896	871	-2.8
Canada Mortgage and Housing Corporation	175	150	-14.3	1,800	1,795	-0.3
Other	100	54	-46.0	1,043	985	-5.6
Total	302	270	-10.6	3,739	3,651	-2.4
Operating and capital expenditures						
Defence	972	1,127	15.9	9,508	10,775	13.3
All other departmental expenditures	2,085	2,329	11.7	20,483	21,948	7.2
Total	3,057	3,456	13.1	29,991	32,723	9.1
Total direct program spending	5,730	6,638	15.8	48,846	52,590	7.7
Total program expenditures	10,729	11,199	4.4	104,967	108,221	3.1
Public debt charges	3,411	3,417	0.2	41,363	41,273	-0.2
Total budgetary expenditures	14,140	14,616	3.4	146,330	149,494	2.2
Memorandum item:						
Total transfers	7,370	7,473	1.4	71,237	71,847	0.9

This component includes subsidies and other transfer payments, payments to Crown corporations, and the operating and capital costs of government, including defence. Developments in this component are affected by the lifting of the wage freeze, the effect of new initiatives announced in the 1999 and 2000 budgets, and the costs associated with Canada's international peacekeeping commitments.

Year-to date: public debt charges down $90 million

Public debt charges declined 0.2 per cent from year-earlier levels, as a lower average effective interest rate more than offset the impact of an increase in the stock of interest-bearing debt.

Financial surplus of $16.1 billion (excluding foreign exchange transactions) in 1999-2000

The budgetary balance is presented on a modified accrual basis of accounting, recording government liabilities when they are incurred, regardless of when the cash payment is made. In addition, the budgetary balance includes only those activities over which the Government has legislative control.

In contrast, financial requirements/surplus measures the difference between cash coming in to the Government and cash going out. Financial requirements/surplus differs from the budgetary balance, as the former includes transactions in loans, investments and advances, federal employees' pension accounts, other specified purpose accounts, and changes in other financial assets and liabilities. These activities are included as part of non-budgetary transactions. The conversion from accrual to cash is also reflected in non-budgetary transactions.

Non-budgetary transactions resulted in a net source of $1.2 billion for the April 1999 to March 2000 period, unchanged from the same period in 1998-99. As a result, there was a financial surplus (excluding foreign exchange transactions) of $16.1 billion in the April 1999 to March 2000 period, up $5.4 billion from the financial surplus recorded in the same period of 1998-99.

Net financial surplus of $6.9 billion (including foreign exchange transactions) in 1999-2000

Foreign exchange transactions represent all transactions in international reserves held in the Exchange Fund Account. The purpose of the Exchange Fund Account is to promote order and stability in the foreign exchange market. It fulfills this function by buying foreign exchange (selling Canadian dollars) when there is upward pressure on the value of the Canadian dollar and selling foreign exchange (buying Canadian dollars) when there is downward pressure. The buying of Canadian dollars represents a source of funds from exchange fund transactions, while the selling of Canadian dollars represents a requirement. Changes in foreign currency liabilities, which are undertaken to change the level of Canada's foreign exchange reserves, also impact on foreign exchange transactions. Taking all of these factors into account, there was a net requirement of $9.2 billion in the April 1999 to March 2000 period, compared to a net requirement of $4.5 billion in the same period of 1998-99.

With a budgetary surplus of $14.9 billion, a net source of $1.2 billion from non-budgetary transactions and a net requirement of $9.2 billion from foreign exchange transactions, there was a net financial surplus of $6.9 billion in the April 1999 to March 2000 period, compared to a net surplus of $6.3 billion in the same period of 1998-99. This surplus was used to retire $3.2 billion of market debt and increase cash balances by $3.7 billion. Cash balances at the end of March 2000 stood at $13.0 billion.

Table 4

The budgetary balance and financial requirements/surplus

	March		April to March	
	1999	2000	1998-99	1999-00
	(millions of dollars)			
Budgetary balance (deficit/surplus)	-532	-31	9,540	14,917
Loans, investments and advances				
Crown corporations	302	12	1,613	540
Other	-146	62	-403	147
Total	156	74	1,210	687
Specified purpose accounts				
Canada Pension Plan Account	-7	893	1,233	835
Superannuation accounts	243	547	3,885	5,078
Other	34	74	35	26
Total	270	1,514	5,153	5,939
Other transactions	1,345	2,089	-5,153	-5,416
Total non-budgetary transactions	1,771	3,677	1,210	1,210
Financial requirements/surplus (excluding foreign exchange transactions)	1,239	3,646	10,750	16,127
Foreign exchange transactions	-5,846	-1,661	-4,478	-9,244
Net financial balance	-4,607	1,985	6,272	6,883

Table 5

Net financial balance and net borrowings

	March		April to March	
	1999	2000	1998-99	1999-00
	(millions of dollars)			
Net financial balance	-4,607	1,985	6,272	6,883
Net increase (+)/decrease (-) in borrowings				
Payable in Canadian dollars				
Marketable bonds	-7,300	-8,491	972	-2,142
Canada Savings Bonds	-50	-439	-1,875	-1,400
Treasury bills	10,950	8,250	-15,350	2,900
Other	499	-352	607	-636
Subtotal	4,099	-1,032	-15,646	1,278
Less: Government's holding of unmatured debt	66	-93	-193	-2
Total	4,165	-1,125	-15,453	-1,280
Payable in foreign currencies				
Marketable bonds	132	0	7,013	2,488
Notes and loans	–	0	–	–
Canada bills	1,283	997	874	-4,122
Canada notes	1,273	0	198	-264
Total	2,688	997	8,085	-1,898
Net change in borrowings	6,853	-128	-7,368	-3,178
Change in cash balance	2,246	1,857	-1,096	3,705

Table 6

Condensed statement of assets and liabilities

	March 31, 1999	March 31, 2000	Change
		(millions of dollars)	
Liabilities			
Accounts payable, accruals and allowances			
Accounts payable and accrued liabilities	24,509	22,158	-2,351
Interest and matured debt	9,791	8,678	-1,113
Allowances	11,016	11,016	0
Total accounts payable, accruals and allowances	45,316	41,852	-3,464
Interest-bearing debt			
Pension and other accounts			
Public sector pensions	122,407	127,485	5,078
Canada Pension Plan (net of securities)	5,427	6,262	835
Other pension and other accounts	6,724	6,749	25
Total pension and other accounts	134,558	140,496	5,938
Unmatured debt			
Payable in Canadian currencies			
Marketable bonds	295,752	293,618	-2,134
Treasury bills	96,950	99,850	2,900
Canada Savings Bonds	27,662	26,252	-1,410
Other	4,063	3,426	-637
Subtotal	424,427	423,146	-1,281
Payable in foreign currencies			
Marketable bonds	24,569	27,057	2,488
Canada bills	10,171	6,049	-4,122
Canada notes	1,261	997	-264
Subtotal	36,000	34,103	-1,897
Total unmatured debt	460,427	457,249	-3,178
Total interest-bearing debt	594,985	597,745	2,760
Total liabilities	640,301	639,597	-704
Assets			
Cash and accounts receivable	15,273	20,930	5,657
Foreign exchange accounts	34,668	43,911	9,243
Loans, investments and advances (net of allowances)	13,536	12,849	-687
Total assets	63,477	77,690	14,213
Accumulated deficit (net public debt)	576,824	561,907	-14,917

Table 7

Debt Servicing and Reduction Account (DSRA)

	1991-92	1992-93	1993-94	1994-95	1995-96	1996-97	1997-98	1998-99
	(millions of dollars)							
Gross GST collected	29,564	30,516	32,652	36,715	38,048	40,733	46,986	50,174
Less:								
Refunds and rebates	12,134	13,145	14,271	17,112	18,874	19,782	24,633	26,640
Quarterly low-income credit	2,262	2,503	2,685	2,816	2,799	2,872	2,892	2,850
Net GST	15,168	14,868	15,696	16,787	16,375	18,079	19,461	20,684
GST penalties and interest received	19	71	90	129	135	159	127	123
Gains from wind-up of interest in Crown corporations/ disposal of shares	2	110			325			
Gifts to the Crown	0.4	0.1	0.2	0.5	0.3	0.3	0.2	1.2
Proceeds to DSRA	15,190	15,050	15,786	16,916	16,835	18,238	19,588	20,808

Source: *Public Accounts of Canada.*

The Debt Servicing and Reduction Account

In June 1991, legislation to establish the Debt Servicing and Reduction Account (DSRA) received Royal Assent. As a result, effective April 1, 1991, all GST revenues net of the applicable input tax credits, rebates and the low-income credit, along with the net proceeds from the sale of Crown corporations and gifts to the Crown identified for debt reduction, must, by law, go directly to the DSRA. The funds in this Account can only be used to pay the cost of servicing the public debt and ultimately to reduce the debt. The Account is audited on an annual basis by the Auditor General of Canada.

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May 2000

The Fiscal Monitor

A Publication of the Department of Finance

Highlights of financial results for April 2000

Budgetary surplus of $2.7 billion in April 2000

There was a budgetary surplus of $2.7 billion in April 2000, up $1.2 billion from the surplus of $1.5 billion in April 1999. Budgetary revenues were up 11.2 per cent, program spending was up 3.7 per cent and public debt charges declined 1.3 per cent.

Among the major revenue components, personal and corporate income tax revenues were higher, with declines reported in all other major revenue components.

- Personal income tax collections were up 12.0 per cent, or $0.8 billion. However, half of the increase was attributable to timing factors related to the processing of personal income tax refunds in March and April. While the value of refunds processed in March 2000 was $0.6 billion higher than in March 1999, the value of those processed in April 2000 was $0.4 billion lower than in April 1999. The remaining increase in collections in April 2000 primarily reflected continued strength in monthly deductions from employment income, due to the increase in the number of people employed.
- Corporate income tax collections increased 81.3 per cent, or $0.9 billion. Although part of this increase reflects the continued strength in corporate profits, another important factor relates to tax instalment procedures. Corporations are required to remit monthly instalments based on either their previous year's actual tax liability or their current year's projected tax liability. Although corporate profits rebounded strongly in 1999, monthly tax instalments for most of 1999 were based on the tax liability for 1998 – a year in which corporate profits declined – thereby depressing instalment payments in 1999. With current monthly instalments largely based on 1999 tax liabilities, the monthly results for 2000-01 may again be misleading.
- Employment insurance premium revenues were down 0.2 per cent, as the decline in premium rates (the employee rate for 2000 is $2.40 per $100 of insurable earnings compared to $2.55 in 1999) offset the impact of the growth in the number of people employed and therefore paying premiums.
- Excise taxes and duties were 1.8 per cent lower. However, given the continued strength in consumer spending, the results for April appear to be affected by timing factors, which should result in increased revenues in future months.

Within program spending, all major components were higher.

- Major transfers to persons were up 1.4 per cent, as increased elderly benefit payments more than offset a decline in employment insurance benefits.
- Major transfers to other levels of government were up 8.8 per cent, reflecting higher cash transfers under the Canada Health and Social Transfer (CHST) and Equalization programs. The increase in CHST cash transfers reflected the 1999 budget measure to increase base funding from $12.5 billion in 1999-2000 to $13.5 billion in 2000-01. The increase in

Table 1
Summary statement of transactions

	April	
	1999	2000
	(millions of dollars)	
Budgetary transactions		
Revenues	13,229	14,712
Program spending	-8,289	-8,595
Operating surplus	4,940	6,117
Public debt charges	-3,412	-3,368
Budgetary balance (deficit/surplus)	1,528	2,749
Non-budgetary transactions	-3,556	-5,223
Financial requirements/surplus (excluding foreign exchange transactions)	-2,028	-2,474
Foreign exchange transactions	-632	1,129
Net financial balance	-2,660	-1,345
Net change in borrowings	-4,716	-5,788
Net change in cash balances	-7,376	-7,133

Note: Positive numbers indicate a net source of funds. Negative numbers indicate a net requirement for funds.

Equalization entitlements was attributable to the continued stronger economic growth in Ontario than in the Equalization-receiving provinces.

- Direct program spending, consisting of total program spending less major transfers to persons and other levels of government, increased by 3.3 per cent. Subsidies and other transfers increased 0.9 per cent while payments to Crown corporations advanced by 12.7 per cent. Defence spending declined, as last year's results were affected by the costs associated with Canada's international peacekeeping commitments. All other departmental expenditures advanced by 7.4 per cent. The monthly fluctuations in these components are due in large part to the timing of payments.

The decline in public debt charges was attributable to a decline in the stock of interest-bearing debt, as the average effective interest rate on that stock was unchanged.

Financial requirements of $2.5 billion (excluding foreign exchange transactions) in April 2000

The budgetary balance is presented on a modified accrual basis of accounting, recording government liabilities when they are incurred, regardless of when the cash payment is made. In addition, the budgetary balance includes only those activities over which the Government has legislative control.

In contrast, financial requirements/surplus measures the difference between cash coming in to the Government and cash going out. Financial requirements/surplus differs from the budgetary balance as the former includes transactions in loans, investments and advances, federal employees' pension accounts, other specified purpose accounts, and changes in other financial assets and liabilities. These activities are included as part of non-budgetary transactions. The conversion from accrual to cash is also reflected in non-budgetary transactions.

Table 2
Budgetary revenues

	April		
	1999	2000	Change
	(millions of dollars)		(%)
Income taxes			
Personal income tax	6,559	7,347	12.0
Corporate income tax	1,083	1,963	81.3
Other income tax revenue	423	342	-19.1
Total income tax	8,065	9,652	19.7
Employment insurance premium revenues	1,788	1,784	-0.2
Excise taxes and duties			
Goods and services tax	2,097	2,077	-1.0
Customs import duties	180	160	-11.1
Sales and excise taxes	625	612	-2.1
Total excise taxes and duties	2,902	2,849	-1.8
Total tax revenues	12,755	14,285	12.0
Non-tax revenues	474	427	-9.9
Total budgetary revenues	13,229	14,712	11.2

Non-budgetary transactions resulted in a net requirement of $5.2 billion in April 2000, up from a net requirement of $3.6 billion in April 1999. The higher requirement primarily reflected the first instalment of pay equity settlement payments, which amounted to $1.6 billion. As a result, there was a financial requirement (excluding foreign exchange transactions) of $2.5 billion in April 2000, compared to a requirement of $2.0 billion in April 1999.

Net financial requirement of $1.3 billion in April 2000

Foreign exchange transactions represent all transactions in international reserves held in the Exchange Fund Account. The purpose of the Exchange Fund Account is to promote order and stability in the foreign exchange market. It fulfills this function by buying foreign exchange (selling Canadian dollars) when there is upward pressure on the value of the Canadian dollar and selling foreign exchange (buying Canadian dollars) when there is downward pressure. The buying of Canadian dollars represents a source of funds from exchange fund transactions, while the selling of Canadian dollars represents a requirement. Changes in foreign currency liabilities, which are undertaken to change the level of Canada's foreign exchange reserves, also impact on foreign exchange transactions. Taking all of these factors into account, there was a net source of $1.1 billion in April 2000, compared to a net requirement of $0.6 billion in April 1999.

With a budgetary surplus of $2.7 billion, a net requirement of $5.2 billion from non-budgetary transactions and a net source of funds of $1.1 billion from foreign exchange transactions, there was a net financial requirement of $1.3 billion in April 2000, compared to a net requirement of $2.7 billion in April 1999.

Net borrowings down $5.8 billion

Although there was a net financial requirement of $1.3 billion in April 2000, the Government still retired $5.8 billion of market debt that month. This was accomplished by reducing its cash balances by $7.1 billion. Cash balances at the end of April 2000 amounted to $5.8 billion.

Table 3

Budgetary expenditures

	April		
	1999	2000	Change
	(millions of dollars)		(%)
Transfer payments to:			
Persons			
Elderly benefits	1,915	1,997	4.3
Employment insurance benefits	1,079	1,038	-3.8
Total	2,994	3,035	1.4
Other levels of government			
Canada Health and Social Transfer	1,042	1,125	8.0
Fiscal transfers	744	832	11.8
Alternative Payments for Standing Programs	-177	-206	16.4
Total	1,609	1,751	8.8
Direct program spending			
Subsidies and other transfers			
Agriculture	1	9	800.0
Foreign Affairs	57	55	-3.5
Health	55	63	14.5
Human Resources Development	28	8	-71.4
Indian and Northern Development	829	842	1.6
Industry and Regional Development	91	27	-70.3
Veterans Affairs	113	116	2.7
Other	176	242	37.5
Total	1,350	1,362	0.9
Payments to Crown corporations			
Canadian Broadcasting Corporation	113	173	53.1
Canada Mortgage and Housing Corporation	145	150	3.4
Other	153	140	-8.5
Total	411	463	12.7
Operating and capital expenditures			
Defence	534	490	-8.2
All other departmental expenditures	1,391	1,494	7.4
Total	1,925	1,984	3.1
Total direct program spending	3,686	3,809	3.3
Total program expenditures	8,289	8,595	3.7
Public debt charges	3,412	3,368	-1.3
Total budgetary expenditures	11,701	11,963	2.2
Memorandum item:			
Total transfers	5,953	6,148	3.3

Table 4

The budgetary balance and financial requirements/surplus

	April	
	1999	2000
	(millions of dollars)	
Budgetary balance (deficit/surplus)	1,528	2,749
Loans, investments and advances		
Crown corporations	-64	0
Other	350	105
Total	286	105
Specified purpose accounts		
Canada Pension Plan Account	-221	-394
Superannuation accounts	366	316
Other	21	-44
Total	166	-122
Other transactions	-4,008	-5,206
Total non-budgetary transactions	-3,556	-5,223
Financial requirements/surplus (excluding foreign exchange transactions)	-2,028	-2,474
Foreign exchange transactions	-632	1,129
Net financial balance	-2,660	-1,345

Table 5

Net financial balance and net borrowings

	April	
	1999	2000
	(millions of dollars)	
Net financial balance	-2,660	-1,345
Net increase (+)/decrease (-) in borrowings		
Payable in Canadian dollars		
Marketable bonds	0	1,900
Canada Savings Bonds	-31	-5
Treasury bills	-4,050	-7,250
Other	598	0
Subtotal	-3,483	-5,355
Payable in foreign currencies		
Marketable bonds	0	0
Notes and loans	0	0
Canada bills	-1,233	-433
Canada notes	0	0
Total	-1,233	-433
Net change in borrowings	-4,716	-5,788
Change in cash balance	-7,376	-7,133

Table 6

Condensed statement of assets and liabilities

	March 31, 2000	April 30, 2000	Change
	(millions of dollars)		
Liabilities			
Accounts payable, accruals and allowances			
Accounts payable and accrued liabilities	22,158	19,906	-2,252
Interest and matured debt	8,678	10,119	1,441
Allowances	13,516	11,938	-1,578
Total accounts payable, accruals and allowances	44,352	41,963	-2,389
Interest-bearing debt			
Pension and other accounts			
Public sector pensions	127,485	127,801	316
Canada Pension Plan (net of securities)	6,262	5,868	-394
Other pension and other accounts	6,749	6,705	-44
Total pension and other accounts	140,496	140,374	-122
Unmatured debt			
Payable in Canadian currencies			
Marketable bonds	293,618	295,827	2,209
Treasury bills	99,850	92,600	-7,250
Canada Savings Bonds	26,252	26,426	174
Other	3,426	3,552	126
Subtotal	423,146	418,405	-4,741
Payable in foreign currencies			
Marketable bonds	27,057	25,528	-1,529
Canada bills	6,049	5,575	-474
Canada notes	997	1,053	56
Subtotal	34,103	32,156	-1,947
Total unmatured debt	457,249	450,561	-6,688
Total interest-bearing debt	597,745	590,935	-6,810
Total liabilities	642,097	632,898	-9,199
Assets			
Cash and accounts receivable	11,513	6,087	-5,426
Foreign exchange accounts	43,911	42,782	-1,129
Loans, investments and advances (net of allowances)	12,849	12,954	105
Total assets	68,273	61,823	-6,450
Accumulated deficit (net public debt)[1]	573,824	571,075	-2,749

[1] Assumes fiscal balance of $3 billion for 1999-2000.

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July 2000

The Fiscal Monitor

A Publication of the Department of Finance

Highlights of financial results for May 2000

Budgetary surplus of $3.3 billion in May 2000

There was a budgetary surplus of $3.3 billion in May 2000, up $1.4 billion from the surplus of $1.9 billion reported in May 1999. Budgetary revenues were up $1.8 billion, or 13.6 per cent, while public debt charges declined $0.1 billion, or 3.6 per cent. Program spending increased $0.5 billion, or 6.7 per cent.

Higher personal income tax and goods and services tax (GST) revenues accounted for most of the year-over-year increase in budgetary revenues.

- Personal income tax revenues were up $0.7 billion, or 10.8 per cent, on a year-over-year basis. This increase primarily reflected higher taxes paid on filing, with respect to the 1999 taxation year, which more than offset the year-over-year decline witnessed in tax on filing in April 2000.
- GST revenues increased $0.8 billion, or 44.0 per cent, on a year-over-year basis. Most of the increase was attributable to a decline in refunds and rebates, reflecting timing factors. This should be reversed in future months, which would bring the results more in line with the growth in the underlying tax base.
- Among the other major revenue components, corporate income tax revenues increased by 7.6 per cent, employment insurance premium revenues were down 1.4 per cent, reflecting the decline in premium rates, while sales and excise taxes and duties fell by 5.3 per cent.

All major components of program spending were higher on a year-over-year basis, while the decline in public debt charges reflected a decline in the average effective interest rate as the stock of interest-bearing debt was virtually unchanged.

Year-to-date: budgetary surplus of $6.1 billion

Over the first two months of fiscal year 2000-01, the budgetary surplus was estimated at $6.1 billion, up $2.6 billion from the surplus of $3.4 billion reported in the same period of 1999-2000.

However, the results to date do not include any impact of the tax reductions measures affecting the current fiscal year, as announced in the 2000 Budget as part of the Government's Five-Year Tax Reduction Plan. The restoration of full indexation of the personal income tax system, the reduction in the middle tax rate from 26 per cent to 24 per cent, increases in the amounts at which the personal income tax rates apply, among others, will restrain the growth in personal income tax revenues, beginning in July 2000. As indicated in *The Budget Plan 2000*, the net fiscal impact of all the tax reduction measures affecting 2000-01 amounts to $4.6 billion. As such, the budgetary results for the first few months of 2000-01 are not an appropriate indicator of developments over the year as a whole.

Table 1
Summary statement of transactions

	May		April to May	
	1999	2000	1999-00	2000-01
	(millions of dollars)			
Budgetary transactions				
Revenues	13,391	15,212	26,622	29,926
Program spending	-7,962	-8,494	-16,253	-17,092
Operating surplus	5,429	6,718	10,369	12,834
Public debt charges	-3,512	-3,387	-6,924	-6,754
Budgetary balance (deficit/surplus)	1,917	3,331	3,445	6,080
Non-budgetary transactions	4,368	2,602	808	-2,620
Financial requirements/source (excluding foreign exchange transactions)	6,285	5,933	4,253	3,460
Foreign exchange transactions	1,135	827	503	1,956
Net financial balance	7,420	6,760	4,756	5,416
Net change in borrowings	-2,430	149	-7,145	-5,640
Net change in cash balances	4,990	6,909	-2,389	-224

Note: Positive numbers indicate a net source of funds. Negative numbers indicate a net requirement for funds.

Financial source of $3.5 billion (excluding foreign exchange transactions) for April and May 2000

The budgetary balance is presented on a modified accrual basis of accounting, recording government liabilities when they are incurred, regardless of when the cash payment is made. In addition, the budgetary balance only includes those activities over which the government has legislative control.

In contrast, financial requirements/source measure the difference between cash coming in to the government and cash going out. Financial requirements/source differs from the budgetary balance, as the former includes transactions in loans, investments and advances, federal employees' pension accounts, other specified purpose accounts, and changes in other financial assets and liabilities. These activities are included as part of non-budgetary transactions. The conversion from accrual to cash is also reflected in non-budgetary transactions.

Non-budgetary transactions resulted in a net requirement of funds of $2.6 billion in the first two months of 2000-01, compared to a source of $0.8 billion in the same period last year. The net requirement to date primarily reflected the first instalment of the pay equity settlement payments. As a result, there was a financial source (excluding foreign exchange transactions) of $3.5 billion in the April/May 2000 period, compared to a financial source of $4.3 billion recorded in the same period last year.

Net financial source of $5.4 billion for April and May 2000

Foreign exchange transactions represent all transactions in international reserves held in the Exchange Fund Account. The purpose of

Table 2

Budgetary revenues

	May			April to May		
	1999	2000	Change	1999-00	2000-01	Change
	(millions of dollars)		(%)	(millions of dollars)		(%)
Income taxes						
Personal income tax	6,569	7,279	10.8	13,127	14,628	11.4
Corporate income tax	1,930	2,076	7.6	3,012	4,039	34.1
Other income tax revenue	143	250	74.8	567	593	4.6
Total income tax	8,642	9,605	11.1	16,706	19,260	15.3
Employment insurance premium revenues	1,800	1,775	-1.4	3,587	3,559	-0.8
Excise taxes and duties						
Goods and services tax	1,750	2,520	44.0	3,849	4,597	19.4
Customs import duties	156	130	-16.7	337	290	-13.9
Sales and excise taxes	719	681	-5.3	1,343	1,293	-3.7
Total excise taxes and duties	2,625	3,331	26.9	5,529	6,180	11.8
Total tax revenues	13,067	14,711	12.6	25,822	28,999	12.3
Non-tax revenues	324	501	54.6	800	927	15.9
Total budgetary revenues	13,391	15,212	13.6	26,622	29,926	12.4

the Exchange Fund Account is to promote order and stability in the foreign exchange market. It fulfills this function by buying foreign exchange (selling Canadian dollars) when there is upward pressure on the value of the Canadian dollar and selling foreign exchange (buying Canadian dollars) when there is downward pressure. The buying of Canadian dollars represents a source of funds from exchange fund transactions, while the selling of Canadian dollars represents a requirement. Changes in foreign currency liabilities, which are undertaken to change the level of Canada's foreign exchange reserves, also impact on foreign exchange transactions. Taking all of these factors into account, there was a net source of $2.0 billion in April/May 2000 period, compared to a net source of $0.5 billion in the same period last year.

With a budgetary surplus of $6.1 billion, a net requirement of $2.6 billion from non-budgetary transactions and a net source of funds of $2.0 billion from foreign exchange transactions, there was a net financial source of $5.4 billion in the April/May 2000 period compared to a net source of $4.8 billion in the same period last year.

Net borrowings down $5.6 billion for April and May 2000

With a net financial source of $5.4 billion in the April/May 2000 period and a reduction in cash balances of $0.2 billion, the government retired $5.6 billion of market debt in the April/May 2000 period. Cash balances at the end of May 2000 amounted to $12.7 billion.

Table 3

Budgetary expenditures

	May			April to May		
	1999	2000	Change	1999-00	2000-01	Change
	(millions of dollars)		(%)	(millions of dollars)		(%)
Transfer payments to:						
Persons						
Elderly benefits	1,875	1,972	5.2	3,791	3,969	4.7
Employment insurance benefits	943	906	-3.9	2,022	1,944	-3.9
Total	2,818	2,878	2.1	5,813	5,913	1.7
Other levels of government						
Canada Health and Social Transfer	1,042	1,125	8.0	2,083	2,250	8.0
Fiscal transfers	991	1,064	7.4	1,735	1,895	9.2
Alternative Payments for Standing Programs	-198	-205	3.5	-375	-411	9.6
Total	1,835	1,984	8.1	3,443	3,734	8.5
Direct program spending						
Subsidies and other transfers						
Agriculture	46	14	-69.6	47	22	-53.2
Foreign Affairs	138	89	-35.5	195	144	-26.2
Health	61	125	104.9	116	188	62.1
Human Resources Development	56	60	7.1	83	68	-18.1
Indian and Northern Development	229	317	38.4	1,058	1,158	9.5
Industry and Regional Development	64	124	93.8	155	152	-1.9
Veterans Affairs	114	121	6.1	227	237	4.4
Other	120	96	-20.0	296	340	14.9
Total	828	946	14.3	2,177	2,309	6.1
Payments to Crown corporations						
Canadian Broadcasting Corporation	57	42	-26.3	170	215	26.5
Canada Mortgage and Housing Corporation	155	150	-3.2	300	300	0.0
Other	21	65	209.5	174	205	17.8
Total	233	257	10.3	644	720	11.8
Operating and capital expenditures						
Defence	696	667	-4.2	1,231	1,157	-6.0
All other departmental expenditures	1,552	1,762	13.5	2,945	3,259	10.7
Total	2,248	2,429	8.1	4,176	4,416	5.7
Total direct program spending	3,309	3,632	9.8	6,997	7,445	6.4
Total program expenditures	7,962	8,494	6.7	16,253	17,092	5.2
Public debt charges	3,512	3,387	-3.6	6,924	6,754	-2.5
Total budgetary expenditures	11,474	11,881	3.5	23,177	23,846	2.9
Memorandum item:						
Total transfers	5,481	5,808	6.0	11,433	11,956	4.6

Table 4

The budgetary balance and financial requirements/source

	May		April to May	
	1999	2000	1999-00	2000-01
	(millions of dollars)			
Budgetary balance (deficit/surplus)	1,917	3,331	3,445	6,080
Loans, investments and advances				
Crown corporations	-42	7	-106	7
Other	-25	-10	324	96
Total	-67	-3	218	103
Specified purpose accounts				
Canada Pension Plan Account	667	219	445	-175
Superannuation accounts	318	209	682	525
Other	-27	-47	-6	-90
Total	958	381	1,121	260
Other transactions	3,477	2,224	-531	-2,983
Total non-budgetary transactions	4,368	2,602	808	-2,620
Financial requirements/source (excluding foreign exchange transactions)	6,285	5,933	4,253	3,460
Foreign exchange transactions	1,135	827	503	1,956
Net financial balance	7,420	6,760	4,756	5,416

Table 5

Net financial balance and net borrowings

	May		April to May	
	1999	2000	1999-00	2000-01
	(millions of dollars)			
Net financial balance	7,420	6,760	4,756	5,416
Net increase (+)/decrease (-) in borrowings				
Payable in Canadian dollars				
Marketable bonds	4,300	3,362	4,300	5,262
Canada Savings Bonds	-91	-141	-122	-147
Treasury bills	-5,900	-1,700	-9,950	-8,950
Other	227	200	826	200
Subtotal	-1,464	1,721	-4,946	-3,635
Payable in foreign currencies				
Marketable bonds		-2,174		-2,174
Notes and loans				
Canada bills	-966	602	-2,199	169
Canada notes				
Total	-966	-1,572	-2,199	-2,005
Net change in borrowings	-2,430	149	-7,145	-5,640
Change in cash balance	4,990	6,909	-2,389	-224

Table 6

Condensed statement of assets and liabilities[1]

	March 31, 2000	May 31, 2000	Change
	(millions of dollars)		
Liabilities			
Accounts payable, accruals and allowances			
Accounts payable and accrued liabilities	22,158	19,667	-2,491
Interest and matured debt	8,678	11,724	3,046
Allowances	13,516	11,938	-1,578
Total accounts payable, accruals and allowances	44,352	43,329	-1,023
Interest-bearing debt			
Pension and other accounts			
Public sector pensions	127,485	128,010	525
Canada Pension Plan (net of securities)	6,262	6,087	-175
Other pension and other accounts	6,749	6,659	-90
Total pension and other accounts	140,496	140,756	260
Unmatured debt			
Payable in Canadian currencies			
Marketable bonds	293,927	299,189	5,262
Treasury bills	99,850	90,900	-8,950
Canada Savings Bonds	26,432	26,285	-147
Other	3,552	3,752	200
Subtotal	423,761	420,126	-3,635
Payable in foreign currencies			
Marketable bonds	25,528	23,354	-2,174
Canada bills	6,008	6,177	169
Canada notes	1,053	1,053	0
Subtotal	32,589	30,584	-2,005
Total unmatured debt	456,350	450,710	-5,640
Total interest-bearing debt	596,846	591,466	-5,380
Total liabilities	641,198	634,795	-6,403
Assets			
Cash and accounts receivable	10,614	12,144	1,530
Foreign exchange accounts	43,911	41,955	-1,956
Loans, investments and advances (net of allowances)	12,849	12,952	103
Total assets	67,374	67,051	-323
Accumulated deficit (net public debt)	573,824	567,744	-6,080

[1] Assumes fiscal balance of $3 billion for 1999-2000.

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August 2000

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Highlights of financial results for June 2000

Budgetary surplus of $2.1 billion in June 2000

There was a budgetary surplus of $2.1 billion in June 2000, up $0.8 billion from the surplus of $1.3 billion recorded in June 1999. Budgetary revenues were up $1.3 billion, or 9.7 per cent. Program spending increased $0.5 billion, or 5.5 per cent, while public debt charges were virtually unchanged.

Among the major revenue components, on a year-over-year basis:

- Personal income tax revenues were up 13.1 per cent, reflecting a strong growth in deductions from employment income, due to the increase in the number of people employed.
- Corporate income tax revenues increased 27.1 per cent, reflecting the strength in corporate profits and timing factors related to the monthly tax instalment procedures.
- Goods and services tax (GST) revenues were up 24.1 per cent. Part of this increase reflects timing of refunds. While gross receipts were up strongly, refunds were unchanged. The growth in refunds normally closely tracks the growth in gross receipts.
- The remaining major revenue components were lower.

Within program spending, all components were higher, on a year-over-year basis.

- Major transfers to persons were up 1.7 per cent, as the increase in elderly benefits more than offset lower employment insurance benefit payments.
- Major transfers to other levels of government were up 11.0 per cent reflecting higher cash transfers under the Canada Health and Social Transfer (CHST) and Equalization programs.
- Direct program spending was up 5.6 per cent, reflecting the impact of wage settlements as well as initiatives announced in recent budgets.

Year-to-date: budgetary surplus of $8.2 billion

Over the first three months of fiscal year 2000-01, the budgetary surplus was estimated at $8.2 billion, up $3.5 billion from the surplus of $4.7 billion reported in the same period of 1999-2000.

However, the results to date do not include any impact of the tax reductions measures affecting the current fiscal year, as announced in the 2000 Budget as part of the Government's Five-Year Tax Reduction Plan. The restoration of full indexation of the personal income tax system, the reduction in the middle tax rate from 26 per cent to 24 per cent, increases in the amounts at which the personal income tax rates apply, among others, will restrain the growth in personal income tax revenues. As indicated in *The Budget Plan 2000*, the net fiscal impact of all the tax reduction measures affecting 2000-01 amounts to $4.6 billion. As such, the budgetary results for the first few months of 2000-01 are not an appropriate indicator of developments over the year as a whole.

Table 1
Summary statement of transactions

	June		April to June	
	1999	2000	1999-00	2000-01
	(millions of dollars)			
Budgetary transactions				
Revenues	13,338	14,634	39,958	44,558
Program spending	-8,598	-9,068	-24,850	-26,159
Operating surplus	4,740	5,566	15,108	18,399
Public debt charges	-3,464	-3,450	-10,388	-10,205
Budgetary balance (deficit/surplus)	1,276	2,116	4,720	8,194
Non-budgetary transactions	-6,183	-7,187	-5,371	-9,816
Financial requirements/source (excluding foreign exchange transactions)	-4,907	-5,071	-651	-1,621
Foreign exchange transactions	-1,273	730	-770	2,686
Net financial balance	-6,180	-4,341	-1,421	1,065
Net change in borrowings	2,421	353	-4,723	-5,286
Net change in cash balances	-3,759	-3,988	-6,144	-4,221

Note: Positive numbers indicate a net source of funds. Negative numbers indicate a net requirement for funds.

Budgetary revenues were up $4.6 billion, or 11.5 per cent, on a year-over-year basis. Among the major revenue components:

- Personal income tax collections were up $2.3 billion, or 12.0 per cent, primarily reflecting higher receipts from monthly deductions from employment income, due to increases in the number of people employed. In addition, higher taxes paid on filing and lower refunds, pertaining to the 1999 taxation year, also contributed to the year-over-year increase. Over the balance of the year, growth in this component should be restrained as the tax reductions announced in the 2000 Budget come into effect.
- Corporate income tax revenues were up $1.5 billion, or 31.5 per cent. Although part of this increase reflects the continued strength in corporate profits, the increase is also affected by tax instalment procedures. Corporations are required to remit monthly instalments based on either their previous year's actual tax liability or their current year's projected tax liability. Although corporate profits rebounded strongly in 1999, monthly tax instalments for most of 1999 were based on the tax liability for 1998 – a year in which corporate profits declined – thereby depressing instalment payments in 1999. With current monthly instalments largely based on 1999 tax liabilities, the monthly results for 2000-01 may again be misleading.
- Employment insurance premium revenues were down 1.1 per cent, as the decline in premium rates (the employee rate for 2000 is $2.40 per $100 of insurable earnings compared to $2.55 in 1999) offset the impact of the growth in the number of people employed and therefore paying premiums.
- GST revenues were up $1.1 billion, or 20.8 per cent. As noted above, about half of this increase is attributable to timing differences between receipts and applicable refunds. Gross receipts are up 11 per cent,

Table 2
Budgetary revenues

	June			April to June		
	1999	2000	Change	1999-00	2000-01	Change
	(millions of dollars)		(%)	(millions of dollars)		(%)
Income taxes						
Personal income tax	6,378	7,215	13.1	19,506	21,842	12.0
Corporate income tax	1,685	2,141	27.1	4,698	6,180	31.5
Other income tax revenue	186	218	17.2	753	811	7.7
Total income tax	8,249	9,574	16.1	24,957	28,833	15.5
Employment insurance premium revenues	1,779	1,750	-1.6	5,366	5,309	-1.1
Excise taxes and duties						
Goods and services tax	1,529	1,898	24.1	5,377	6,495	20.8
Customs import duties	285	165	-42.1	622	455	-26.8
Sales and excise taxes	825	786	-4.7	2,169	2,079	-4.1
Total excise taxes and duties	2,639	2,849	8.0	8,168	9,029	10.5
Total tax revenues	12,667	14,173	11.9	38,491	43,171	12.2
Non-tax revenues	671	461	-31.3	1,467	1,387	-5.5
Total budgetary revenues	13,338	14,634	9.7	39,958	44,558	11.5

in line with the growth in the applicable tax base. However, refunds are up only 3.7 per cent. This should be reversed in future months, which would bring the net results more in line with the growth in the underlying tax base.

Program spending increased by $1.3 billion, or 5.3 per cent, in the April to June 2000 period, compared to the same period last year. This increase was spread among all major components.

- Major transfers to persons were up 1.7 per cent, as lower employment insurance benefits offset much of the increase in elderly benefit payments. The higher elderly benefits reflect an increase in the number of individuals eligible for benefits and higher average benefits, which are indexed to inflation. Lower employment insurance benefit payments were primarily due to a decline in the number of beneficiaries, reflecting the fall in the number of unemployed.
- Major transfers to other levels of government were up 9.3 per cent, reflecting higher cash transfers under the Canada Health and Social Transfer (CHST) and Equalization programs. The increase in CHST cash transfers reflected the 1999 budget measure to increase base funding from $12.5 billion in 1999-2000 to $13.5 billion in 2000-01. The increase in Equalization entitlements was attributable to the continued stronger economic growth in Ontario than in the Equalization-receiving provinces.
- Direct program spending, consisting of total program spending less the major transfers to persons and other levels of government, increased by 6.1 per cent. This component includes subsidy and other transfer payments, payments to Crown corporations, and the operating and capital costs of government, including defence. Developments in this component are affected by the timing of payments, as well as the lifting of the wage freeze and the effect of new initiatives announced in the February 2000 Budget.

Table 3
Budgetary expenditures

	June			April to June		
	1999	2000	Change	1999-00	2000-01	Change
	(millions of dollars)		(%)	(millions of dollars)		(%)
Transfer payments to:						
Persons						
Elderly benefits	1,910	1,967	3.0	5,700	5,936	4.1
Employment insurance benefits	769	757	-1.6	2,791	2,702	-3.2
Total	2,679	2,724	1.7	8,491	8,638	1.7
Other levels of government						
Canada Health and Social Transfer	1,042	1,125	8.0	3,125	3,375	8.0
Fiscal transfers	866	991	14.4	2,601	2,886	11.0
Alternative Payments for Standing Programs	-188	-206	9.6	-563	-617	9.6
Total	1,720	1,910	11.0	5,163	5,644	9.3
Direct program spending						
Subsidies and other transfers						
Agriculture	26	5	-80.8	73	27	-63.0
Foreign Affairs	34	99	191.2	229	243	6.1
Health	146	66	-54.8	262	254	-3.1
Human Resources Development	193	228	18.1	276	296	7.2
Indian and Northern Development	334	323	-3.3	1,392	1,481	6.4
Industry and Regional Development	108	131	21.3	263	283	7.6
Veterans Affairs	114	118	3.5	341	355	4.1
Other	207	125	-39.6	503	463	-8.0
Total	1,162	1,095	-5.8	3,339	3,402	1.9
Payments to Crown corporations						
Canadian Broadcasting Corporation	35	70	100.0	205	285	39.0
Canada Mortgage and Housing Corporation	152	170	11.8	452	470	4.0
Other	129	144	11.6	303	349	15.2
Total	316	384	21.5	960	1,104	15.0
Operating and capital expenditures						
Defence	767	874	14.0	1,998	2,032	1.7
All other departmental expenditures	1,954	2,081	6.5	4,899	5,339	9.0
Total	2,721	2,955	8.6	6,897	7,371	6.9
Total direct program spending	4,199	4,434	5.6	11,196	11,877	6.1
Total program expenditures	8,598	9,068	5.5	24,850	26,159	5.3
Public debt charges	3,464	3,450	-0.4	10,388	10,205	-1.8
Total budgetary expenditures	12,062	12,518	3.8	35,238	36,364	3.2
Memorandum item:						
Total transfers	5,561	5,729	3.0	16,993	17,684	4.1

Public debt charges were down 1.8 per cent, due to a decline in the stock of interest-bearing debt as the average effective interest rate was up somewhat.

Financial requirement of $1.6 billion (excluding foreign exchange transactions) for April to June 2000

The budgetary balance is presented on a modified accrual basis of accounting, recording government liabilities when they are incurred, regardless of when the cash payment is made. In addition, the budgetary balance includes only those activities over which the Government has legislative control.

In contrast, financial requirements/surplus measures the difference between cash coming in to the Government and cash going out. Financial requirements/source differs from the budgetary balance as the former includes transactions in loans, investments and advances, federal employees' pension accounts, other specified purpose accounts, and changes in other financial assets and liabilities. These activities are included as part of non-budgetary transactions. The conversion from accrual to cash is also reflected in non-budgetary transactions.

Non-budgetary transactions resulted in a net requirement of $9.8 billion in the first three months of 2000-01. This was attributable, in part, to the payment to a third-party trust of the $2.5 billion Canada Health and Social Transfer cash supplement, as announced in the 2000 Budget, as well as the first instalment of pay equity settlement. As a result, there was a financial requirement (excluding foreign exchange transactions) of $1.6 billion in April to June 2000 period, compared to a requirement of $0.7 billion in the same period last year.

Net financial source of $1.1 billion for April to June 2000

Foreign exchange transactions represent all transactions in international reserves held in the Exchange Fund Account. The purpose of the Exchange Fund Account is to promote order and stability in the foreign exchange market. It fulfills this function by buying foreign exchange (selling Canadian dollars) when there is upward pressure on the value of the Canadian dollar and selling foreign exchange (buying Canadian dollars) when there is downward pressure. The buying of Canadian dollars represents a source of funds from exchange fund transactions, while the selling of Canadian dollars represents a requirement. Changes in foreign currency liabilities, which are undertaken to change the level of Canada's foreign exchange reserves, also impact on foreign exchange transactions. Taking all of these factors into account, there was a net source of $2.7 billion in the first three months of 2000-01, compared to a net requirement of $0.8 billion in the same period last year.

With a budgetary surplus of $8.2 billion, a net requirement of $9.8 billion from non-budgetary transactions and a net source of funds of $2.7 billion from foreign exchange transactions, there was a net financial source of $1.1 billion in April to June 2000 period, compared to a net requirement of $1.4 billion in the same period last year.

Net borrowings down $5.3 billion for April to June 2000.

With this net financial source of $1.1 billion and a reduction in cash balances of $4.2 billion, the government retired $5.3 billion of market debt in the first three months of 2000-01. Cash balances at June 30th amounted to $8.7 billion.

Table 4

The budgetary balance and financial requirements/source

	June		April to June	
	1999	2000	1999-00	2000-01
	(millions of dollars)			
Budgetary balance (deficit/surplus)	1,276	2,116	4,720	8,194
Loans, investments and advances				
Crown corporations	-32	188	-137	196
Other	126	18	450	113
Total	94	206	313	309
Specified purpose accounts				
Canada Pension Plan Account	-175	150	271	-26
Superannuation accounts	373	68	1,056	593
Other	-102	-134	-108	-227
Total	96	84	1,219	340
Other transactions	-6,373	-7,477	-6,903	-10,464
Total non-budgetary transactions	-6,183	-7,187	-5,371	-9,816
Financial requirements/source (excluding foreign exchange transactions)	-4,907	-5,071	-651	-1,621
Foreign exchange transactions	-1,273	730	770	2,686
Net **financial balance**	-6,180	-4,341	-1,421	-1,065

Table 5

Net financial balance and net borrowings

	June		April to June	
	1999	2000	1999-00	2000-01
	(millions of dollars)			
Net financial balance	-6,180	-4,341	-1,421	1,065
Net increase (+)/decrease (-) in borrowings				
Payable in Canadian dollars				
Marketable bonds	5,987	3,963	10,287	9,226
Canada Savings Bonds	-882	-256	-1,003	-403
Treasury bills	-2,400	-3,600	-12,350	-12,550
Other	173	500	999	700
Subtotal	2,878	607	-2,067	-3,027
Payable in foreign currencies				
Marketable bonds				-2,174
Notes and loans				
Canada bills	-457	-254	-2,656	-85
Canada notes				
Total	-457	-254	-2,656	-2,259
Net change in borrowings	-2,421	353	-4,723	-5,286
Change in cash balance	-3,759	-3,988	-6,144	-4,221

Table 6

Condensed statement of assets and liabilities[1]

	March 31, 2000	June 30, 2000	Change
	(millions of dollars)		
Liabilities			
Accounts payable, accruals and allowances			
Accounts payable and accrued liabilities	22,158	16,317	-5,841
Interest and matured debt	8,678	11,724	3,046
Allowances	13,516	11,838	-1,678
Total accounts payable, accruals and allowances	44,352	39,879	-4,473
Interest-bearing debt			
Pension and other accounts			
Public sector pensions	127,485	128,078	593
Canada Pension Plan (net of securities)	6,262	6,236	-26
Other pension and other accounts	6,749	6,522	-227
Total pension and other accounts	140,496	140,836	340
Unmatured debt			
Payable in Canadian currencies			
Marketable bonds	293,927	303,153	9,226
Treasury bills	99,850	87,300	-12,550
Canada Savings Bonds	26,432	26,029	-403
Other	3,552	4,252	700
Subtotal	423,761	420,734	-3,027
Payable in foreign currencies			
Marketable bonds	25,528	23,354	-2,174
Canada bills	6,008	5,923	-85
Canada notes	1,053	1,053	0
Subtotal	32,589	30,330	-2,259
Total unmatured debt	456,350	451,064	-5,286
Total interest-bearing debt	596,846	592,011	-4,835
Total liabilities	641,198	631,778	-9,420
Assets			
Cash and accounts receivable	10,614	6,393	-4,221
Foreign exchange accounts	43,911	46,597	2,686
Loans, investments and advances (net of allowances)	12,849	13,158	309
Total assets	67,374	66,148	-1,226
Accumulated deficit (net public debt)	573,824	565,630	-8,194

[1] Assumes fiscal balance of $3 billion for 1999-2000.

Table 7
Debt Servicing and Reduction Account (DSRA)

	1991-92	1992-93	1993-94	1994-95	1995-96	1996-97	1997-98	1998-99
	(millions of dollars)							
Gross GST collected	29,564	30,516	32,652	36,715	38,048	40,733	46,986	50,174
Less:								
Refunds and rebates	12,134	13,145	14,271	17,112	18,874	19,782	24,633	2,640
Quarterly low-income credit	2,262	2,503	2,685	2,816	2,799	2,872	2,892	2,850
Net GST	15,168	14,868	15,696	16,787	16,375	18,079	19,461	20,684
GST penalties and interest received	19	71	90	129	135	159	127	123
Gains from wind-up of interest in Crown corporations/ disposal of shares	2	110			325			
Gifts to the Crown	0.4	0.1	0.2	0.5	0.3	0.3	0.2	1.2
Proceeds to DSRA	15,190	15,050	15,786	16,916	16,835	18,238	19,588	20,808

Source: *Public Accounts of Canada.*

The Debt Servicing and Reduction Account

In June 1991, legislation to establish the Debt Servicing and Reduction Account received Royal Assent. As a result, effective April 1, 1991, all GST revenues net of the applicable input tax credits, rebates and the low-income credit, along with the net proceeds from the sale of Crown corporations and gifts to the Crown identified for debt reduction, must, by law, go directly to the Debt Servicing and Reduction Account. The funds in this Account can only be used to pay the cost of servicing the public debt and ultimately to reduce the debt. The Account is audited on an annual basis by the Auditor General of Canada.

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August 2000

The Fiscal Monitor

A Publication of the Department of Finance

Highlights of financial results for July 2000

Budgetary surplus of $3.2 billion in July 2000

There was a budgetary surplus of $3.2 billion in July 2000, up $2.3 billion from the surplus of $0.9 billion recorded in July 1999. Budgetary revenues were up $3.0 billion, or 23.6 per cent. Program spending increased $0.7 billion, or 8.5 per cent, while public debt charges were virtually unchanged.

Among the major revenue components, on a year-over-year basis:

- Personal income tax revenues were up $1.9 billion, or 31.9 per cent. This increase reflected continued strong growth in deductions from employment income, due to the increase in the number of people employed, as well as timing factors related to the receipt of payments and adjustments related to under-reporting in previous months. These factors more than offset the impact of the 2000 Budget measures, which came into effect in July. It is expected that the impact of the tax reductions will be clearly reflected in the August 2000 results.
- Corporate income tax revenues increased by $1 billion, or 57.9 per cent, reflecting the strength in corporate profits and timing factors related to the monthly tax instalment procedures, as explained below. Other income taxes were also up strongly, reflecting the growth in corporate profits.
- Goods and services tax (GST) revenues were down 1.8 per cent, reflecting a catch-up in the processing of refunds. The remaining components of excise taxes and duties were lower.
- Non-tax revenues were up $0.1 billion. Monthly changes in this component are extremely volatile, reflecting the timing of receipts.

Within program spending, all components were higher, on a year-over-year basis.

- Major transfers to persons were up 1.5 per cent, as both elderly and employment insurance (EI) benefit payments were higher.
- Major transfers to other levels of government were up 9.4 per cent, reflecting higher cash transfers under the Canada Health and Social Transfer (CHST) and Equalization programs.
- Direct program spending was up 13.2 per cent, reflecting the impact of wage settlements as well as initiatives announced in recent budgets.

Year-to-date: budgetary surplus of $11.4 billion

Over the first four months of fiscal year 2000-01, the budgetary surplus was estimated at $11.4 billion, up $5.8 billion from the surplus of $5.6 billion reported in the same period of 1999-2000.

Table 1
Summary statement of transactions

	July		April to July	
	1999	2000	1999-00	2000-01
	($ millions)			
Budgetary transactions				
Revenues	12,758	15,768	52,716	60,327
Program spending	-8,381	-9,097	-33,231	-35,257
Operating surplus	4,377	6,671	19,485	25,070
Public debt charges	-3,506	-3,499	-13,895	-13,703
Budgetary balance (deficit/surplus)	871	3,172	5,590	11,367
Non-budgetary transactions	-33	844	-5,406	-8,965
Financial requirements/source (excluding foreign exchange transactions)	838	4,016	184	2,402
Foreign exchange transactions	1,305	-729	535	1,957
Net financial balance	2,143	3,287	719	4,359
Net change in borrowings	2,458	-7,636	-2,265	-12,921
Net change in cash balances	4,601	-4,349	-1,546	-8,562

Note: Positive numbers indicate a net source of funds. Negative numbers indicate a net requirement for funds.

However, the results to date do not include the full impact of the tax reduction measures affecting the current fiscal year, as announced in the 2000 budget as part of the Government's Five-Year Tax Reduction Plan. For example, the restoration of full indexation of the personal income tax system, the reduction in the middle tax rate from 26 per cent to 24 per cent and increases in the amounts at which the personal income tax rates apply will restrain the growth in personal income tax revenues over the balance of the fiscal year. As indicated in *The Budget Plan 2000*, the net fiscal impact of all the tax reduction measures affecting 2000-01 amounts to $4.6 billion. In addition, the annual growth in both corporate income tax and GST revenues is overstated due to timing considerations. For example, based on the final settlement period payments for 1999-2000, monthly corporate income tax revenues for the first seven months of 1999-2000 were understated by an average of $0.6 billion per month. As such, the budgetary results for the first few months of 2000-01 are not an appropriate indicator of developments over the year as a whole.

Budgetary revenues were up $7.6 billion, or 14.4 per cent, on a year-over-year basis. Among the major revenue components:

- Personal income tax collections were up $4.3 billion, or 16.7 per cent, primarily reflecting higher receipts from monthly deductions from employment income, due to increases in the number of people employed. In addition, higher taxes paid on filing and lower refunds, pertaining to the 1999 taxation year, also contributed to the year-over-year increase. Over the balance of the fiscal year, growth in this component should be restrained as the tax reductions announced in the 2000 budget come into effect.

Table 2
Budgetary revenues

	July			April to July		
	1999	2000	Change	1999-00	2000-01	Change
	($ millions)		(%)	($ millions)		(%)
Income taxes						
Personal income tax	6,102	8,047	31.9	25,608	29,890	16.7
Corporate income tax	1,649	2,603	57.9	6,346	8,783	38.4
Other income tax revenue	205	309	50.7	958	1,120	16.9
Total income tax	7,956	10,959	37.7	32,912	39,793	20.9
Employment insurance premium revenues	1,697	1,667	-1.8	7,063	6,976	-1.2
Excise taxes and duties						
Goods and services tax	1,771	1,739	-1.8	7,149	8,233	15.2
Customs import duties	221	201	-9.0	843	656	-22.2
Sales and excise taxes	725	658	-9.2	2,896	2,738	-5.5
Total excise taxes and duties	2,717	2,598	-4.4	10,888	11,627	6.8
Total tax revenues	12,370	15,224	23.1	50,863	58,396	14.8
Non-tax revenues	388	544	40.2	1,853	1,931	4.2
Total budgetary revenues	12,758	15,768	23.6	52,716	60,327	14.4

- Corporate income tax revenues were up $2.4 billion, or 38.4 per cent. Although part of this increase reflects the continued strength in corporate profits, the increase is also affected by tax instalment procedures. Corporations are required to remit monthly instalments based on either their previous year's actual tax liability or their current year's projected tax liability. Although corporate profits rebounded strongly in 1999, monthly tax instalments for most of 1999 were based on the tax liability for 1998 – a year in which corporate profits declined – thereby depressing instalment payments in 1999. Corporations have 60 days from the end of their taxation year to remit their final settlement payments. Last February, record settlement payments were made relating to underpayments during the course of the 1999 taxation year, with the result that it is estimated that monthly instalments for the first seven months were understated by an average of $0.6 billion per month. With current monthly instalments largely based on 1999 tax liabilities, the year-over-year changes are misleading.
- EI premium revenues were down 1.2 per cent, as the decline in premium rates (the employee rate for 2000 is $2.40 per $100 of insurable earnings compared to $2.55 in 1999) offset the impact of the growth in the number of people employed and therefore paying premiums.
- GST revenues were up $1.1 billion, or 15.2 per cent. Although refunds picked up strongly in July, they are trailing the growth in gross receipts. This should be reversed in future months, which would bring the net results more in line with the growth in the underlying tax base.

Table 3
Budgetary expenditures

	July			April to July		
	1999	2000	Change	1999-00	2000-01	Change
	($ millions)		(%)	($ millions)		(%)
Transfer payments to:						
Persons						
Elderly benefits	1,986	2,012	1.3	7,686	7,948	3.4
Employment insurance benefits	793	809	2.0	3,584	3,511	-2.0
Total	2,779	2,821	1.5	11,270	11,459	1.7
Other levels of government						
Canada Health and Social Transfer	1,042	1,125	8.0	4,167	4,500	8.0
Fiscal transfers	880	978	11.1	3,480	3,862	11.0
Alternative Payments for Standing Programs	-188	-206	9.6	-750	-822	9.6
Total	1,734	1,897	9.4	6,897	7,540	9.3
Direct program spending						
Subsidies and other transfers						
Agriculture	23	27	17.4	96	54	-43.8
Foreign Affairs	127	102	-19.7	356	346	-2.8
Health	47	99	110.6	309	353	14.2
Human Resources Development	150	115	-23.3	426	411	-3.5
Indian and Northern Development	278	262	-5.8	1,670	1,743	4.4
Industry and Regional Development	136	82	-39.7	399	365	-8.5
Veterans Affairs	117	123	5.1	458	478	4.4
Other	214	73	-65.9	717	883	23.2
Total	1,092	883	-19.1	4,431	4,633	4.6
Payments to Crown corporations						
Canadian Broadcasting Corporation	50	86	72.0	255	371	45.5
Canada Mortgage and Housing Corporation	143	150	4.9	595	620	4.2
Other	93	128	37.6	396	475	19.9
Total	286	364	27.3	1,246	1,466	17.7
Operating and capital expenditures						
Defence	795	948	19.2	2,795	2,979	6.6
All other departmental expenditures	1,695	2,184	28.8	6,592	7,180	8.9
Total	2,490	3,132	25.8	9,387	10,159	8.2
Total direct program spending	3,868	4,379	13.2	15,064	16,258	7.9
Total program expenditures	8,381	9,097	8.5	33,231	35,257	6.1
Public debt charges	3,506	3,499	-0.2	13,895	13,703	-1.4
Total budgetary expenditures	11,887	12,596	6.0	47,126	48,960	3.9
Memorandum item:						
Total transfers	5,605	5,601	-0.1	22,598	23,632	4.6

Program spending increased by $2.0 billion, or 6.1 per cent, in the April to July 2000 period, compared to the same period last year. This increase was spread among all major components.

- Major transfers to persons were up 1.7 per cent, as higher elderly benefits more than offset the decline in EI benefit payments. The higher elderly benefits reflect an increase in the number of individuals eligible for benefits and higher average benefits, which are indexed to inflation. The decline in EI benefit payments reflects a lower number of beneficiaries due to the decline in the number of unemployed.
- Major transfers to other levels of government were up 9.3 per cent, reflecting higher cash transfers under the CHST and Equalization programs. The increase in CHST cash transfers reflected the 1999 budget measure to increase base funding from $12.5 billion in 1999-2000 to $13.5 billion in 2000-01. The increase in Equalization entitlements was attributable to the continued stronger economic growth in Ontario than in the Equalization-receiving provinces.
- Direct program spending, consisting of total program spending less the major transfers to persons and other levels of government, increased by 7.9 per cent. This component includes subsidy and other transfer payments, payments to Crown corporations, and the operating and capital costs of government, including defence. Developments in this component are affected by the timing of payments, as well as the lifting of the wage freeze and the effect of new initiatives announced in the February 2000 budget.

Public debt charges were down 1.4 per cent, primarily reflecting a decline in the stock of interest-bearing debt.

Financial source of $2.4 billion (excluding foreign exchange transactions) for April to July 2000

The budgetary balance is presented on a modified accrual basis of accounting, recording government liabilities when they are incurred, regardless of when the cash payment is made. In addition, the budgetary balance includes only those activities over which the Government has legislative control.

In contrast, financial requirements/source measures the difference between cash coming in to the Government and cash going out. Financial requirements/source differs from the budgetary balance as the former includes transactions in loans, investments and advances, federal employees' pension accounts, other specified purpose accounts, and changes in other financial assets and liabilities. These activities are included as part of non-budgetary transactions. The conversion from accrual to cash is also reflected in non-budgetary transactions.

Non-budgetary transactions resulted in a net requirement of $9.0 billion in first four months of 2000-01. This was attributable, in part, to the payment to a third-party trust of the $2.5-billion CHST cash supplement, as announced in the 2000 budget, as well as the first instalment of the pay equity settlement. As a result, there was a financial source (excluding foreign exchange transactions) of $2.4 billion in April to July 2000 period, compared to a net source of $0.2 billion in the same period last year.

Net financial source of $4.4 billion for April to July 2000

Foreign exchange transactions represent all transactions in international reserves held in the Exchange Fund Account. The purpose of the Exchange Fund Account is to promote order and stability in the foreign exchange market.

Table 4

The budgetary balance and financial requirements/source

	July		April to July	
	1999	2000	1999-00	2000-01
		($ millions)		
Budgetary balance (deficit/surplus)	871	3,172	5,590	11,367
Loans, investments and advances				
Crown corporations	27	-112	-110	83
Other	-94	49	356	162
Total	-67	-63	246	245
Specified purpose accounts				
Canada Pension Plan Account	-471	-865	-201	-890
Superannuation accounts	383	371	1,438	966
Other	-17	11	-125	-216
Total	-105	-483	1,112	-140
Other transactions	139	1,390	-6,764	-9,070
Total non-budgetary transactions	-33	844	-5,406	-8,965
Financial requirements/source (excluding foreign exchange transactions)	838	4,016	184	2,402
Foreign exchange transactions	1,305	-729	535	1,957
Net financial balance	2,143	3,287	719	4,359

Table 5

Net financial balance and net borrowings

	July		April to July	
	1999	2000	1999-00	2000-01
		($ millions)		
Net financial balance	2,143	3,287	719	4,359
Net increase (+)/decrease (-) in borrowings				
Payable in Canadian dollars				
Marketable bonds	–	-3,075	10,287	6,151
Canada Savings Bonds	154	-151	-849	-553
Treasury bills	3,150	-4,200	-9,200	-16,750
Other	247	225	1,246	925
Total	3,551	-7,201	1,484	-10,227
Payable in foreign currencies				
Marketable bonds	–	–	–	-2,174
Notes and loans	–	–	–	–
Canada bills	-867	-435	-3,523	-520
Canada notes	-226	–	-226	–
Total	1,093	-435	-3,749	-2,694
Net change in borrowings	2,458	-7,636	-2,265	-12,921
Change in cash balance	4,601	-4,349	-1,546	-8,562

Table 6

Condensed statement of assets and liabilities

	March 31, 2000	July 31, 2000	Change
		($ millions)	
Liabilities			
Accounts payable, accruals and allowances			
Accounts payable and accrued liabilities	20,551	15,451	-5,100
Interest and matured debt	8,353	8,430	77
Allowances	11,844	7,797	-4,047
Total accounts payable, accruals and allowances	40,748	31,678	-9,070
Interest-bearing debt			
Pension and other accounts			
Public sector pensions	128,346	129,312	966
Canada Pension Plan (net of securities)	6,217	5,327	-890
Other pension and other accounts	6,963	6,747	-216
Total pension and other accounts	141,526	141,386	-140
Unmatured debt			
Payable in Canadian dollars			
Marketable bonds	293,927	300,078	6,151
Treasury bills	99,850	83,100	-16,750
Canada Savings Bonds	26,489	25,936	-553
Non-marketable bonds and bills	3,552	4,477	925
Subtotal	423,818	413,591	-10,227
Payable in foreign currencies	32,588	29,894	-2,694
Total unmatured debt	456,406	443,485	-12,921
Total interest-bearing debt	597,932	584,871	-13,061
Total liabilities	638,680	616,549	-22,131
Assets			
Cash and accounts receivable	18,864	10,302	-8,562
Foreign exchange accounts	41,494	39,537	-1,957
Loans, investments and advances (net of allowances)	13,796	13,551	-245
Total assets	74,154	63,390	-10,764
Accumulated deficit (net public debt)	564,526	553,159	-11,367

It fulfills this function by buying foreign exchange (selling Canadian dollars) when there is upward pressure on the value of the Canadian dollar and selling foreign exchange (buying Canadian dollars) when there is downward pressure. The buying of Canadian dollars represents a source of funds from exchange fund transactions, while the selling of Canadian dollars represents a requirement. Changes in foreign currency liabilities, which are undertaken to change the level of Canada's foreign exchange reserves, also impact on foreign exchange transactions. Taking all of these factors into account, there was a net source of $2.0 billion in the first four months of 2000-01, compared to a net source of $0.5 billion in the same period last year.

With a budgetary surplus of $11.4 billion, a net requirement of $9.0 billion from non-budgetary transactions and a net source of funds of $2.0 billion from foreign exchange transactions, there was a net financial source of $4.4 billion in the April to July 2000 period, compared to a net source of $0.7 billion in the same period last year.

Net borrowings down $12.9 billion for April to July 2000

With this net financial source of $4.4 billion and a reduction in cash balances of $8.6 billion, the Government retired $12.9 billion of market debt in the first four months of 2000-01. Cash balances at July 31 amounted to $4.4 billion.

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September 2000

The Fiscal Monitor

A Publication of the Department of Finance

Highlights of financial results for August 2000

Budgetary deficit of $1.2 billion in August 2000

There was a budgetary deficit of $1.2 billion in August 2000, compared to a surplus of $0.6 billion in August 1999. Budgetary revenues were down $1 billion, or 8.0 per cent, program spending increased $0.4 billion, or 4.9 per cent, and public debt charges were up $0.3 billion, or 10.3 per cent.

Among the major revenue components, on a year-over-year basis:

- Personal income tax revenues were down $0.7 billion, or 12.8 per cent. This decline primarily reflected the impact of the Budget 2000 tax reduction measures, which came into effect on July 1, 2000: the restoration of full indexation of the personal income tax system, the reduction in the middle tax rate from 26 per cent to 24 per cent and increases in the amounts at which the personal income tax rates apply.
- Corporate income tax revenues declined by $0.3 billion, or 21.4 per cent, primarily reflecting timing factors related to the monthly tax instalment procedures, as explained below. Other income taxes were also lower, reflecting the timing factors.
- Goods and services tax (GST) revenues were down $0.2 billion, or 7.9 per cent, reflecting a slowdown in gross collections and a catch-up in the processing of refunds. Customs import duties were up strongly, due to misallocation in previous months, while other excise taxes and duties were lower.
- Non-tax revenues were up slightly. Monthly changes in this component are extremely volatile, reflecting the timing of receipts.

Within program spending, on a year-over-year basis:

- Major transfers to persons were down 2.2 per cent, as lower employment insurance (EI) benefit payments, reflecting the improvement in the labour market situation, more than offset higher elderly benefits.
- Major transfers to other levels of government were up 10.3 per cent, reflecting higher cash transfers under the Canada Health and Social Transfer (CHST) and Equalization programs.
- Direct program spending was up 7.5 per cent, reflecting the impact of wage settlements as well as initiatives announced in recent budgets.

Year-to-date: budgetary surplus of $10.1 billion

Over the first five months of fiscal year 2000-01, the budgetary surplus was estimated at $10.1 billion, up $4.0 billion from the surplus of $6.2 billion reported in the same period of 1999-2000.

The monthly financial results can be very volatile, reflecting the impact of the timing of receipts and payments and budget measures. In particular, monthly balances can be strongly impacted by the timing of personal income tax instalment payments and corporate income tax settlement payments. For example, quarterly

Table 1
Summary statement of transactions

	August		April to August	
	1999	2000	1999-00	2000-01
	($ millions)			
Budgetary transactions				
Revenues	12,367	11,379	65,083	71,706
Program spending	-8,602	-9,021	-41,835	-44,358
Operating surplus	3,765	2,358	23,248	27,348
Public debt charges	-3,193	-3,521	-17,087	-17,225
Budgetary balance (deficit/surplus)	572	-1,163	6,161	10,123
Non-budgetary transactions	1,016	2,785	-4,384	-6,100
Financial requirements/source (excluding foreign exchange transactions)	1,588	1,622	1,777	4,023
Foreign exchange transactions	-859	-2,187	-324	-230
Net financial balance	729	-565	1,453	3,793
Net change in borrowings	878	6,729	-1,388	-6,193
Net change in cash balances	1,607	6,164	65	-2,400

Note: Positive numbers indicate a net source of funds. Negative numbers indicate a net requirement for funds.

personal income tax instalment payments have a strong impact in September and December while corporate income tax settlement payments affect December and February. In contrast, in the remaining months, based on previous years' experience, revenue flows are relatively weaker. As such, caution should be exercised in extrapolating results to date to derive estimates for the year as a whole.

Budgetary revenues were up $6.6 billion, or 10.2 per cent, on a year-over-year basis. Among the major revenue components:

- Personal income tax collections were up $3.6 billion, or 11.4 per cent, primarily reflecting higher receipts from monthly deductions from employment income, due to increases in the number of people employed. In addition, higher taxes paid on filing and lower refunds, pertaining to the 1999 taxation year, also contributed to the year-over-year increase. Over the balance of the fiscal year, growth in this component will be restrained as the full impact of tax reductions announced in the 2000 budget is realized.
- Corporate income tax revenues were up $2.2 billion, or 28.6 per cent. Although part of this increase reflects the continued strength in corporate profits, the increase is also affected by tax instalment procedures. Corporations are required to remit monthly instalments based on either their previous year's actual tax liability or their current year's projected tax liability. Although corporate profits rebounded strongly in 1999, monthly tax instalments for most of 1999 were based on the tax liability for 1998 – a year in which corporate profits declined – thereby depressing instalment payments in 1999. Corporations have 60 days from the end of their taxation year to remit their final settlement payments. Last February, record

Table 2
Budgetary revenues

	August			April to August		
	1999	2000	Change	1999-00	2000-01	Change
	($ millions)		(%)	($ millions)		(%)
Income taxes						
Personal income tax	5,701	4,972	-12.8	31,308	34,862	11.4
Corporate income tax	1,236	971	-21.4	7,582	9,754	28.6
Other income tax revenue	277	156	-43.7	1,236	1,275	3.2
Total income tax	7,214	6,099	-15.5	40,126	45,891	14.4
Employment insurance premium revenues	1,531	1,520	-0.7	8,594	8,497	-1.1
Excise taxes and duties						
Goods and services tax	2,240	2,062	-7.9	9,390	10,295	9.6
Customs import duties	164	463	182.3	1,007	1,119	11.1
Sales and excise taxes	743	703	-5.4	3,640	3,443	-5.4
Total excise taxes and duties	3,147	3,228	2.6	14,037	14,857	5.8
Total tax revenues	11,892	10,847	-8.8	62,757	69,245	10.3
Non-tax revenues	475	532	12.0	2,326	2,461	5.8
Total budgetary revenues	12,367	11,379	-8.0	65,083	71,706	10.2

settlement payments were made relating to underpayments during the course of the 1999 taxation year, with the result that it is estimated that monthly instalments for the first seven months were understated by an average of $0.6 billion per month. With current monthly instalments largely based on 1999 tax liabilities, the year-over-year changes are misleading.

- EI premium revenues were down 1.1 per cent, as the decline in premium rates (the employee rate for 2000 is $2.40 per $100 of insurable earnings compared to $2.55 in 1999) offset the impact of the growth in the number of people employed and therefore paying premiums.
- Excise taxes and duties increased by $0.8 billion, or 5.8 per cent. GST revenues were up $0.9 billion, or 9.6 per cent, reflecting the growth in consumer demand, while customs import duties rose $0.1 billion. In contrast, sales and excise taxes were $0.2 billion, or 5.4 per cent, lower.
- Non-tax revenues were up $0.1 billion, or 5.8 per cent.

Program spending increased by $2.5 billion, or 6.0 per cent, in the April to August 2000 period, compared to the same period last year. This increase was spread among all major components.

- Major transfers to persons were up 0.9 per cent, as higher elderly benefits more than offset the decline in EI benefit payments. The higher elderly benefits reflect an increase in the number of individuals eligible for benefits and higher average benefits, which are indexed to inflation. The decline in EI benefit payments reflects a lower number of beneficiaries due to the decline in the number of unemployed.

Table 3
Budgetary expenditures

	August			April to August		
	1999	2000	Change	1999-00	2000-01	Change
	($ millions)		(%)	($ millions)		(%)
Transfer payments to:						
Persons						
Elderly benefits	1,865	1,884	1.0	9,552	9,833	2.9
Employment insurance benefits	955	874	-8.5	4,539	4,385	-3.4
Total	2,820	2,758	-2.2	14,091	14,218	0.9
Other levels of government						
Canada Health and Social Transfer	1,042	1,125	8.0	5,209	5,625	8.0
Fiscal transfers	866	978	12.9	4,347	4,839	11.3
Alternative Payments for Standing Programs	-188	-206	9.6	-938	-1,028	9.6
Total	1,720	1,897	10.3	8,618	9,436	9.5
Direct program spending						
Subsidies and other transfers						
Agriculture	50	93	86.0	146	147	0.7
Foreign Affairs	155	180	16.1	510	526	3.1
Health	121	65	-46.3	430	418	-2.8
Human Resources Development	32	15	-53.1	458	426	-7.0
Indian and Northern Development	261	282	8.0	1,932	2,025	4.8
Industry and Regional Development	147	150	2.0	546	515	-5.7
Veterans Affairs	115	120	4.3	573	598	4.4
Other	114	72	-36.8	831	958	15.3
Total	995	977	-1.8	5,426	5,613	3.4
Payments to Crown corporations						
Canadian Broadcasting Corporation	85	79	-7.1	340	450	32.4
Canada Mortgage and Housing Corporation	150	150	0.0	745	770	3.4
Other	67	141	110.4	464	617	33.0
Total	302	370	22.5	1,549	1,837	18.6
Operating and capital expenditures						
Defence	1,032	921	-10.8	3,826	3,899	1.9
All other departmental expenditures	1,733	2,098	21.1	8,325	9,355	12.4
Total	2,765	3,019	9.2	12,151	13,254	9.1
Total direct program spending	4,062	4,366	7.5	19,126	20,704	8.3
Total program expenditures	8,602	9,021	4.9	41,835	44,358	6.0
Public debt charges	3,193	3,521	10.3	17,087	17,225	0.8
Total budgetary expenditures	11,795	12,542	6.3	58,922	61,583	4.5
Memorandum item:						
Total transfers	5,535	5,632	1.8	28,135	29,267	4.0

- Major transfers to other levels of government were up 9.5 per cent, reflecting higher cash transfers under the CHST and Equalization programs. The increase in CHST cash transfers reflects the 1999 budget measure to increase base funding from $12.5 billion in 1999-2000 to $13.5 billion in 2000-01. The increase in Equalization entitlements is attributable to the continued stronger economic growth in Ontario than in the Equalization-receiving provinces.
- Direct program spending, consisting of total program spending less the major transfers to persons and other levels of government, increased by 8.3 per cent. This component includes subsidy and other transfer payments, payments to Crown corporations, and the operating and capital costs of government, including defence. Developments in this component are affected by the timing of payments, as well as the lifting of the wage freeze and the effect of new initiatives announced in recent budgets.

Public debt charges were up 0.8 per cent, as the impact of somewhat higher interest rates more than offset the decline in the stock of interest-bearing debt.

Financial source of $4.0 billion (excluding foreign exchange transactions) for April to August 2000

The budgetary balance is presented on a modified accrual basis of accounting, recording government liabilities when they are incurred, regardless of when the cash payment is made. In addition, the budgetary balance includes only those activities over which the Government has legislative control.

In contrast, financial requirements/source measures the difference between cash coming in to the Government and cash going out. Financial requirements/source differs from the budgetary balance as the former includes transactions in loans, investments and advances, federal employees' pension accounts, other specified purpose accounts, and changes in other financial assets and liabilities. These activities are included as part of non-budgetary transactions. The conversion from accrual to cash is also reflected in non-budgetary transactions.

Non-budgetary transactions resulted in a net requirement of $6.1 billion in the first five months of 2000-01. This was attributable, in part, to the payment to a third-party trust of the $2.5-billion CHST cash supplement, as announced in the 2000 budget, as well as the first instalment of the pay equity settlement.

As a result, with a budgetary surplus of $10.1 billion and a net requirement of $6.1 billion from non-budgetary transactions, there was a financial source (excluding foreign exchange transactions) of $4.0 billion in the April to August 2000 period, compared to a net source of $1.8 billion in the same period last year.

Net financial source of $3.8 billion for April to August 2000

Foreign exchange transactions represent all transactions in international reserves held in the Exchange Fund Account. The purpose of the Exchange Fund Account is to promote order and stability in the foreign exchange market. It fulfills this function by buying foreign exchange (selling Canadian dollars) when there is upward pressure on the value of the Canadian dollar and selling foreign exchange (buying Canadian dollars) when there is downward pressure. The buying of Canadian dollars represents a source of funds from exchange fund transactions, while the selling of Canadian dollars represents a requirement. Changes in foreign currency liabilities, which are undertaken to change the level of Canada's foreign exchange reserves, also impact on foreign exchange transactions.

Table 4

The budgetary balance and financial requirements/source

	August		April to August	
	1999	2000	1999-00	2000-01
		($ millions)		
Budgetary balance (deficit/surplus)	572	-1,163	6,161	10,123
Loans, investments and advances				
Crown corporations	60	23	-50	106
Other	-186	-21	171	141
Total	-126	2	121	247
Specified purpose accounts				
Canada Pension Plan Account	-247	224	-448	-666
Superannuation accounts	390	465	1,829	1,430
Other	14	1	-111	-215
Total	157	690	1,270	549
Other transactions	985	2,093	-5,775	-6,896
Total non-budgetary transactions	1,016	2,785	-4,384	-6,100
Financial requirements/source (excluding foreign exchange transactions)	1,588	1,622	1,777	4,023
Foreign exchange transactions	-859	-2,187	-324	-230
Net financial balance	729	-565	1,453	3,793

Table 5

Net financial balance and net borrowings

	August		April to August	
	1999	2000	1999-00	2000-01
		($ millions)		
Net financial balance	729	-565	1,453	3,793
Net increase (+)/decrease (-) in borrowings				
Payable in Canadian dollars				
Marketable bonds	-800	4,800	9,487	10,951
Canada Savings Bonds	139	-138	-710	-692
Treasury bills	1,750	2,900	-7,450	-13,850
Other	49	-467	1,295	458
Total	1,138	7,095	2,622	-3,133
Payable in foreign currencies				
Marketable bonds	-113	–	-113	-2,174
Notes and loans	–	–	–	–
Canada bills	-147	-366	-3,671	-886
Canada notes	–	–	-226	–
Total	-260	-366	-4,010	-3,060
Net change in borrowings	878	6,729	-1,388	-6,193
Change in cash balance	1,607	6,164	65	-2,400

Table 6

Condensed statement of assets and liabilities

	March 31, 2000	August 31, 2000	Change
		($ millions)	
Liabilities			
Accounts payable, accruals and allowances	40,748	33,852	-6,896
Interest-bearing debt			
Pension and other accounts			
Public sector pensions	128,346	129,776	1,430
Canada Pension Plan (net of securities)	6,217	5,551	-666
Other pension and other accounts	6,963	6,748	-215
Total pension and other accounts	141,526	142,075	549
Unmatured debt			
Payable in Canadian dollars			
Marketable bonds	293,927	304,878	10,951
Treasury bills	99,850	86,000	-13,850
Canada Savings Bonds	26,489	25,797	-692
Non-marketable bonds and bills	3,552	4,010	458
Subtotal	423,818	420,685	-3,133
Payable in foreign currencies	32,588	29,528	-3,060
Total unmatured debt	456,406	450,213	-6,193
Total interest-bearing debt	597,932	592,288	-5,644
Total liabilities	638,680	626,140	-12,540
Assets			
Cash and accounts receivable	18,864	16,464	-2,400
Foreign exchange accounts	41,494	41,724	230
Loans, investments and advances (net of allowances)	13,796	13,549	-247
Total assets	74,154	71,737	-2,417
Accumulated deficit (net public debt)	564,526	554,403	-10,123

Taking all of these factors into account, there was a net requirement of $0.2 billion in the first five months of 2000-01, compared to a net requirement of $0.3 billion in the same period last year.

With a budgetary surplus of $10.1 billion, a net requirement of $6.1 billion from non-budgetary transactions and a net requirement of funds of $0.2 billion from foreign exchange transactions, there was a net financial source of $3.8 billion in the April to August 2000 period, compared to a net source of $1.5 billion in the same period last year.

Net borrowings down $6.2 billion for April to August 2000

With this net financial source of $3.8 billion and a reduction in cash balances of $2.4 billion, the Government retired $6.2 billion of market debt in the first five months of 2000-01. Cash balances at August 31 amounted to $10.6 billion.

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October 2000

The Fiscal Monitor

A Publication of the Department of Finance

Highlights of financial results for September 2000

Budgetary surplus of $3.3 billion in September 2000

There was a budgetary surplus of $3.3 billion in September 2000, compared to a surplus of $1.9 billion in September 1999. All of the year-over-year increase in the surplus was attributable to higher budgetary revenues, up 10.4 per cent, or $1.5 billion. Program spending increased by $84 million while public debt charges were virtually unchanged.

Among the major revenue components, on a year-over-year basis:

- Personal income tax revenues were up $0.8 billion, or 10.4 per cent. This increase reflected continued strong growth in deductions from employment income, due to the increase in the number of people employed, as well as timing factors related to the receipt of payments. These factors more than offset the impact of the 2000 budget measures, which came into effect in July.
- Corporate income tax revenues increased $0.4 billion, or 33.8 per cent, primarily reflecting timing factors related to the monthly tax instalment procedures, as explained below. Other income taxes were lower, reflecting timing factors.
- Employment insurance (EI) premium revenues were up slightly due to a transfer from personal income tax revenues relating to underpayments with respect to the 1999 taxation year.
- Excise taxes and duties were up $0.1 billion, or 3.6 per cent, as lower goods and services tax (GST) revenues, reflecting higher rebates and refunds, were more than offset by higher customs import duties and sales and excise taxes.
- Non-tax revenues were up. Monthly changes in this component are extremely volatile, reflecting the timing of receipts.

Within program spending, on a year-over-year basis:

- Major transfers to persons were up 4.4 per cent, as higher elderly benefit payments more than offset lower EI benefit payments.
- Major transfers to other levels of government were up 11.0 per cent, reflecting higher cash transfers under the Canada Health and Social Transfer (CHST) and Equalization programs.
- Direct program spending was down 5.1 per cent, reflecting timing factors.

Year-to-date: budgetary surplus of $13.5 billion

Over the first six months of fiscal year 2000-01, the budgetary surplus was estimated at $13.5 billion, up $5.4 billion from the surplus of $8.1 billion reported in the same period of 1999-2000. These results are in line with the average private sector forecast of the fiscal surplus for 2000-01 of $17 billion, as set out in the October 18, 2000, *Economic Statement and Budget Update*.

Table 1
Summary statement of transactions

	September		April to September	
	1999	2000	1999-00	2000-01
	($ millions)			
Budgetary transactions				
Revenues	14,132	15,596	79,216	87,302
Program spending	-8,747	-8,831	-50,569	-53,105
Operating surplus	5,385	6,765	28,647	34,197
Public debt charges	-3,461	-3,472	-20,549	-20,697
Budgetary balance (deficit/surplus)	1,924	3,293	8,098	13,500
Non-budgetary transactions	178	196	-4,224	-5,986
Financial requirements/source (excluding foreign exchange transactions)	2,102	3,489	3,874	7,514
Foreign exchange transactions	501	667	177	437
Net financial balance	2,603	4,156	4,051	7,951
Net change in borrowings	-9,312	-12,116	-10,701	-18,309
Net change in cash balances	-6,709	-7,960	-6,650	-10,358

Note: Positive numbers indicate a net source of funds. Negative numbers indicate a net requirement for funds.

Budgetary revenues were up $8.1 billion, or 10.2 per cent, on a year-over-year basis. Among the major revenue components:

- Personal income tax collections were up $4.4 billion, or 11.2 per cent, primarily reflecting higher receipts from monthly deductions from employment income, due to increases in the number of people employed. In addition, higher taxes paid on filing and lower refunds, pertaining to the 1999 taxation year, contributed to the year-over-year increase. Over the balance of the fiscal year, growth in this component will be restrained as the impact of tax reductions announced in the 2000 budget and the *Economic Statement and Budget Update* is realized.
- Corporate income tax revenues were up $2.6 billion, or 29.3 per cent. Although part of this increase reflects the continued strength in corporate profits, the increase is also affected by tax instalment procedures.

Corporations are required to remit monthly instalments based on either their previous year's actual tax liability or their current year's projected tax liability. Although corporate profits rebounded strongly in 1999, monthly tax instalments for most of 1999 were based on the tax liability for 1998 – a year in which corporate profits declined – thereby depressing instalment payments in 1999. Corporations have 60 days from the end of their taxation year to remit their final settlement payments. Last February, record settlement payments were made relating to underpayments during the course of the 1999 taxation year. Thus, it is estimated that instalments for the first seven months were understated by an average of $0.6 billion per month. With current monthly instalments largely based on 1999 tax liabilities, the year-over-year changes to date are misleading.

Table 2
Budgetary revenues

	September			April to September		
	1999	2000	Change	1999-00	2000-01	Change
	($ millions)		(%)	($ millions)		(%)
Income taxes						
Personal income tax	7,770	8,580	10.4	39,078	43,443	11.2
Corporate income tax	1,192	1,595	33.8	8,775	11,349	29.3
Other income tax revenue	204	164	-19.6	1,440	1,439	-0.1
Total income tax	9,166	10,339	12.8	49,293	56,231	14.1
Employment insurance premium revenues	1,398	1,437	2.8	9,992	9,934	-0.6
Excise taxes and duties						
Goods and services tax	2,214	2,103	-5.0	11,603	12,398	6.9
Customs import duties	162	220	35.8	1,169	1,339	14.5
Sales and excise taxes	638	798	25.1	4,278	4,240	-0.9
Total excise taxes and duties	3,014	3,121	3.6	17,050	17,977	5.4
Total tax revenues	13,578	14,897	9.7	76,335	84,144	10.2
Non-tax revenues	554	699	26.2	2,881	3,160	9.7
Total budgetary revenues	14,132	15,596	10.4	79,216	87,302	10.2

- EI premium revenues were down 0.6 per cent, as the decline in premium rates (the employee rate for 2000 is $2.40 per $100 of insurable earnings compared to $2.55 in 1999) offset the impact of the growth in the number of people employed and therefore paying premiums.
- Excise taxes and duties increased by $0.9 billion, or 5.4 per cent. GST revenues were up $0.8 billion, or 6.9 per cent – this is somewhat less than the growth in consumer demand, reflecting strong growth in the payment of refunds and rebates. Customs import duties were up strongly, while sales and excise taxes were lower.
- Non-tax revenues were up $0.3 billion, or 9.7 per cent.

Program spending increased by $2.5 billion, or 5.0 per cent, in the April to September 2000 period, over the same period last year. This increase was spread among all major components.

- Major transfers to persons were up 1.4 per cent, as higher elderly benefits more than offset the decline in EI benefit payments. The higher elderly benefits reflect an increase in the number of individuals eligible for benefits and higher average benefits, which are indexed to inflation. The decline in EI benefit payments reflects a lower number of beneficiaries due to the decline in the number of unemployed.

Table 3

Budgetary expenditures

	September			April to September		
	1999	2000	Change	1999-00	2000-01	Change
	($ millions)		(%)	($ millions)		(%)
Transfer payments to:						
Persons						
Elderly benefits	1,997	2,121	6.2	11,548	11,953	3.5
Employment insurance benefits	679	672	-1.0	5,218	5,056	-3.1
Total	2,676	2,793	4.4	16,766	17,009	1.4
Other levels of government						
Canada Health and Social Transfer	1,041	1,125	8.1	6,250	6,750	8.0
Fiscal transfers	867	988	14.0	5,214	5,831	11.8
Alternative Payments for Standing Programs	-188	-204	8.5	-1,126	-1,233	9.5
Total	1,720	1,909	11.0	10,338	11,348	9.8
Direct program spending						
Subsidies and other transfers						
Agriculture	121	107	-11.6	267	255	-4.5
Foreign Affairs	136	41	-69.6	647	566	-12.5
Health	72	148	105.6	501	566	13.0
Human Resources Development	249	33	-86.7	707	459	-35.1
Indian and Northern Development	320	444	38.8	2,252	2,470	9.7
Industry and Regional Development	64	92	43.8	610	606	-0.7
Veterans Affairs	115	120	4.3	689	718	4.2
Other	151	75	-50.3	984	1,032	14.9
Total	1,228	1,060	-13.7	6,657	6,672	0.2
Payments to Crown corporations						
Canadian Broadcasting Corporation	79	65	-17.7	420	515	22.6
Canada Mortgage and Housing Corporation	151	150	-0.7	895	920	2.8
Other	63	90	42.9	526	708	34.6
Total	293	305	4.1	1,841	2,143	16.4
Operating and capital expenditures						
Defence	970	873	-10.0	4,796	4,773	-0.5
All other departmental expenditures	1,860	1,891	1.7	10,171	11,160	9.7
Total	2,830	2,764	-2.3	14,967	15,933	6.5
Total direct program spending	4,351	4,129	-5.1	23,465	24,748	5.5
Total program expenditures	8,747	8,831	1.0	50,569	53,105	5.0
Public debt charges	3,461	3,472	0.3	20,549	20,697	0.7
Total budgetary expenditures	12,208	12,303	0.8	71,118	73,802	3.8
Memorandum item:						
Total transfers	5,624	5,762	2.5	33,761	35,029	3.8

- Major transfers to other levels of government were up 9.8 per cent, reflecting higher cash transfers under the CHST and Equalization programs. The increase in CHST cash transfers reflected the 1999 budget measure to increase base funding from $12.5 billion in 1999-2000 to $13.5 billion in 2000-01. The increase in Equalization entitlements was attributable to the continued stronger economic growth in Ontario than in the Equalization-receiving provinces.
- Direct program spending, consisting of total program spending less the major transfers to persons and other levels of government, increased by 5.5 per cent. This component includes subsidy and other transfer payments, payments to Crown corporations, and the operating and capital costs of government, including defence. Developments in this component are affected by the timing of payments, as well as the lifting of the wage freeze and the effect of new initiatives announced in recent budgets.

Public debt charges were up 0.7 per cent, as the impact of somewhat higher interest rates more than offset a decline in the stock of interest-bearing debt.

Financial source of $7.5 billion (excluding foreign exchange transactions) for April to September 2000

The budgetary balance is presented on a modified accrual basis of accounting, recording government liabilities when they are incurred, regardless of when the cash payment is made. In addition, the budgetary balance includes only those activities over which the Government has legislative control.

In contrast, financial requirements/source measures the difference between cash coming in to the Government and cash going out. Financial requirements/source differs from the budgetary balance as the former includes transactions in loans, investments and advances, federal employees' pension accounts, other specified purpose accounts, and changes in other financial assets and liabilities. These activities are included as part of non-budgetary transactions. The conversion from accrual to cash is also reflected in non-budgetary transactions.

Non-budgetary transactions resulted in a net requirement of $6.0 billion in the first six months of 2000-01. This was attributable, in part, to the payment to a third-party trust of the $2.5-billion CHST cash supplement, as announced in the 2000 budget, as well as to payments related to the pay equity settlement.

As a result, with a budgetary surplus of $13.5 billion and a net requirement of $6.0 billion from non-budgetary transactions, there was a financial source (excluding foreign exchange transactions) of $7.5 billion in the April to September 2000 period, compared to a financial source of $3.9 billion in the same period last year.

Net financial source of $8.0 billion for April to September 2000

Foreign exchange transactions represent all transactions in international reserves held in the Exchange Fund Account. The purpose of the Exchange Fund Account is to promote order and stability in the foreign exchange market. It fulfills this function by buying foreign exchange (selling Canadian dollars) when there is upward pressure on the value of the Canadian dollar and selling foreign exchange (buying Canadian dollars) when there is downward pressure. The buying of Canadian dollars represents a source of funds from exchange fund transactions, while the selling of Canadian dollars represents a requirement. Changes in foreign currency liabilities, which are undertaken to change the level of Canada's foreign exchange reserves, also impact on foreign exchange transactions. Taking all of these factors into account, there was a net source of $0.4 billion in the first six months of 2000-01, compared to a net source of $0.2 billion in the same period last year.

Table 4

The budgetary balance and financial requirements/source

	September		April to September	
	1999	2000	1999-00	2000-01
			($ millions)	
Budgetary balance (deficit/surplus)	1,924	3,293	8,098	13,500
Loans, investments and advances				
Crown corporations	69	100	19	206
Other	-291	42	-122	183
Total	-222	142	-103	389
Specified purpose accounts				
Canada Pension Plan Account	739	128	291	-538
Superannuation accounts	484	28	2,313	1,458
Other	14	150	-98	-65
Total	1,237	306	2,506	855
Other transactions	-837	-252	-6,627	-7,230
Total non-budgetary transactions	178	196	-4,224	-5,986
Financial requirements/source (excluding foreign exchange transactions)	2,102	3,489	3,874	7,514
Foreign exchange transactions	501	667	177	437
Net financial balance	2,603	4,156	4,051	7,951

Table 5

Net financial balance and net borrowings

	September		April to September	
	1999	2000	1999-00	2000-01
			($ millions)	
Net financial balance	2,603	4,156	4,051	7,951
Net increase (+)/decrease (-) in borrowings				
Payable in Canadian dollars				
Marketable bonds	-11,693	-4,933	-2,206	6,018
Canada Savings Bonds	28	-98	-682	-790
Treasury bills	3,650	-6,200	-3,801	-20,050
Other	-759	-376	535	82
Total	-8,774	-11,607	-6,154	-14,740
Payable in foreign currencies				
Marketable bonds	-302		-415	-2,174
Notes and loans				
Canada bills	-206	-509	-3,876	-1,395
Canada notes	-30		-256	
Total	-538	-509	-4,547	-3,569
Net change in borrowings	-9,312	-12,116	-10,701	-18,309
Change in cash balance	-6,709	-7,960	-6,650	-10,358

Table 6

Condensed statement of assets and liabilities

	March 31, 2000	September 30, 2000	Change
		($ millions)	
Liabilities			
Accounts payable, accruals and allowances	40,748	33,573	-7,175
Interest-bearing debt			
Pension and other accounts			
Public sector pensions	128,346	129,804	1,458
Canada Pension Plan (net of securities)	6,217	5,679	-538
Other pension and other accounts	6,963	6,898	-65
Total pension and other accounts	141,526	142,381	855
Unmatured debt			
Payable in Canadian dollars			
Marketable bonds	293,927	299,945	6,018
Treasury bills	99,850	79,800	-20,050
Canada Savings Bonds	26,489	25,642	-847
Non-marketable bonds and bills	3,552	3,635	83
Subtotal	423,818	409,022	-14,796
Payable in foreign currencies	32,588	29,020	-3,568
Total unmatured debt	456,406	438,042	-18,364
Total interest-bearing debt	597,932	580,423	-17,509
Total liabilities	638,680	613,996	-24,684
Assets			
Cash and accounts receivable	18,864	8,506	-10,358
Foreign exchange accounts	41,494	41,057	-437
Loans, investments and advances (net of allowances)	13,796	13,407	-389
Total assets	74,154	62,970	-11,184
Accumulated deficit (net public debt)	564,526	551,022	-13,500

Table 7
Debt Servicing and Reduction Account (DSRA)

	1991-92	1992-93	1993-94	1994-95	1995-96	1996-97	1997-98	1998-99	1999-00
					(millions of dollars)				
Gross GST collected	29,564	30,516	32,652	36,715	38,048	40,733	46,986	50,174	56,383
Less:									
Refunds and rebates	12,134	13,145	14,271	17,112	18,874	19,782	24,633	26,640	30,746
Quarterly low-income credit	2,262	2,503	2,685	2,816	2,799	2,872	2,892	2,850	2,847
Net GST	15,168	14,868	15,696	16,787	16,375	18,079	19,461	20,684	22,790
GST penalties and interest received	19	71	90	129	135	159	127	123	104
Gains from wind-up of interest in Crown corporations/ disposal of shares	2	110			325				
Gifts to the Crown	0.4	0.1	0.2	0.5	0.3	0.3	0.2	1.2	0.3
Proceeds to DSRA	15,190	15,050	15,786	16,916	16,835	18,238	19,588	20,808	22,894

Source: *Public Accounts of Canada.*

With a budgetary surplus of $13.5 billion, a net requirement of $6.0 billion from non-budgetary transactions and a net source of funds of $0.4 billion from foreign exchange transactions, there was a net financial source of $8.0 billion in the April to September 2000 period, compared to a net source of $4.1 billion in the same period last year.

Net borrowings down $18.3 billion for April to September 2000

In September, the Government's holdings of market debt declined by $12.1 billion, bringing the retirement for the first six months to $18.3 billion. This was financed with the net financial source $8.0 billion and a reduction of $10.4 billion in cash balances. The level of cash balances varies from month to month based on a number of factors including periodic large debt maturities, which can be quite volatile on a monthly basis. At the end of September, cash balances were $2.6 billion.

The Debt Servicing and Reduction Account

In June 1991, legislation to establish the Debt Servicing and Reduction Account received Royal Assent. As a result, effective April 1, 1991, all GST revenues net of the applicable input tax credits, rebates and the low-income credit, along with the net proceeds from the sale of Crown corporations and gifts to the Crown identified for debt reduction, must, by law, go directly to the Debt Servicing and Reduction Account. The funds in this Account can only be used to pay the cost of servicing the public debt and ultimately to reduce the debt. The Account is audited on an annual basis by the Auditor General of Canada.

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November 2000

The Fiscal Monitor

A Publication of the Department of Finance

Highlights of financial results for October 2000

October 2000: budgetary deficit of $301 million

There was a budgetary deficit of $301 million in October 2000, compared to a surplus of $111 million in October 1999. The deficit in October 2000 was attributable to the special payment of $1 billion in trust to the provinces and territories for new medical equipment, as part of the new federal investments to support the agreements reached on September 11th by the First Ministers on health renewal and early childhood development.

On a year-over-year basis, budgetary revenues increased $1.1 billion, or 9.3 per cent, reflecting increases in all major components with the exception of personal income tax revenues.

- Personal income tax revenues were down $0.8 billion, or 13.1 per cent. This decline was attributable to higher transfers to the Canada Pension Plan (CPP) and employment insurance (EI) accounts, reflecting underpayments in previous periods. Gross remittances received include not only federal personal income tax liabilities but also provincial income tax liabilities (as set out under the tax collection agreements with participating provinces) and employee and employer premium contributions for EI and the CPP. On a monthly basis, deductions for these liabilities are based on estimates, with adjustments made once either preliminary or final data become available from the Canada Customs and Revenue Agency. Based on preliminary taxation results for 1999, transfers from personal income tax revenues to the CPP and EI accounts amounting to $1.4 billion were made in October 2000.
- Corporate income tax revenues were up $0.8 billion, or 74.3 per cent, primarily reflecting timing factors related to the monthly tax instalment procedures, as explained below. Other income taxes were also up strongly, after declining last month.
- The increase in EI premium revenues of $0.4 billion, or 30.0 per cent, was due to the transfer from personal income tax revenues relating to underpayments with respect to the 1999 taxation year.
- Excise taxes and duties were up $0.4 billion, or 14.5 per cent, with all components registering strong increases.
- Non-tax revenues were also up. Monthly changes in this component are extremely volatile, reflecting the timing of receipts.

On a year-over-year basis, program spending increased $1.4 billion, or 15.9 per cent, of which $1 billion was due to the payment in trust to the provinces and territories for new medical equipment.

- Major transfers to persons were up 2.7 per cent, attributable to higher elderly benefit payments, as EI benefit payments were unchanged.
- Major transfers to other levels of government were up 10.0 per cent, reflecting higher cash transfers under the Canada Health and Social Transfer (CHST) and Equalization programs.

Table 1
Summary statement of transactions

	October		April to October	
	1999	2000	1999-00	2000-01
	($ millions)			
Budgetary transactions				
Revenues	12,000	13,112	91,215	100,414
Program spending	-8,634	-10,007	-59,205	-63,114
Operating surplus	3,366	3,105	32,010	37,300
Public debt charges	-3,255	-3,406	-23,803	-24,103
Budgetary balance (deficit/surplus)	111	-301	8,207	13,197
Non-budgetary transactions	1,064	859	-3,155	-5,126
Financial requirements/source (excluding foreign exchange transactions)	1,175	558	5,052	8,071
Foreign exchange transactions	-1,039	893	-862	1,330
Net financial balance	136	1,451	4,190	9,401
Net change in borrowings	3,784	3,658	-6,916	-14,652
Net change in cash balances	3,920	5,109	-2,726	-5,251

Note: Positive numbers indicate a net source of funds. Negative numbers indicate a net requirement for funds.

- Direct program spending was up 26.8 per cent, primarily reflecting the $1-billion payment in trust to the provinces and territories for new medical equipment.

On a year-over-year basis, public debt charges were up $0.2 billion, or 4.6 per cent, in part reflecting adjustments in October 1999 to correct for over-reporting in previous months.

Year-to-date: budgetary surplus of $13.2 billion

Over the first seven months of fiscal year 2000-01, the budgetary surplus was estimated at $13.2 billion, up $5.0 billion from the surplus of $8.2 billion reported in the same period of 1999-2000.

These results are in line with the average private sector forecast of the fiscal surplus for 2000-01, as set out in the October 18, 2000, *Economic Statement and Budget Update*.

Budgetary revenues were up $9.2 billion, or 10.1 per cent, on a year-over-year basis. Among the major revenue components:

- Personal income tax collections were up $3.5 billion, or 7.8 per cent, primarily reflecting higher receipts from monthly deductions from employment income, due to increases in the number of people employed. In addition, higher taxes paid on filing and lower refunds, pertaining to the 1999 taxation year, also contributed to the year-over-year increase. Over the balance of the fiscal year, growth in this component will be restrained as the impact of tax reductions is realized.
- Corporate income tax revenues were up $3.4 billion, or 34.2 per cent. Although part of this increase reflects the continued strength in corporate profits, up 17.5 per cent in the first three quarters of 2000 over the same period last year, the increase in revenues is also affected by tax instalment procedures.

Table 2
Budgetary revenues

	October			April to October		
	1999	2000	Change	1999-00	2000-01	Change
	($ millions)		(%)	($ millions)		(%)
Income taxes						
Personal income tax	6,213	5,397	-13.1	45,291	48,840	7.8
Corporate income tax	1,063	1,853	74.3	9,837	13,201	34.2
Other income tax revenue	252	381	51.2	1,693	1,820	7.5
Total income tax	7,528	7,631	1.4	56,821	63,861	12.4
Employment insurance premium revenues	1,242	1,614	30.0	11,234	11,548	2.8
Excise taxes and duties						
Goods and services tax	2,003	2,325	16.1	13,606	14,723	8.2
Customs import duties	211	230	9.0	1,379	1,569	13.8
Sales and excise taxes	633	706	11.5	4,911	4,946	0.7
Total excise taxes and duties	2,847	3,261	14.5	19,896	21,238	6.7
Total tax revenues	11,617	12,506	7.7	87,951	96,647	9.9
Non-tax revenues	383	606	58.2	3,264	3,767	15.4
Total budgetary revenues	12,000	13,112	9.3	91,215	100,414	10.1

Corporations are required to remit monthly instalments based on either their previous year's actual tax liability or their current year's projected tax liability, with final settlement payments made 30 days following the end of their taxation year. Although corporate profits rebounded strongly in 1999, monthly tax instalments for most of 1999 were based on the tax liability for 1998 – a year in which corporate profits declined – thereby depressing instalment payments in 1999. Since current monthly instalments are being compared to last year's understated instalments, the year-over-year changes are likely not an appropriate indicator of the results for the year as a whole.

- EI premium revenues were up 2.8 per cent, as the decline in premium rates (the employee rate for 2000 is $2.40 per $100 of insurable earnings compared to $2.55 in 1999) was more than offset by the impact of the prior-year adjustments and the growth in the number of people employed and therefore paying premiums.
- Excise taxes and duties increased by $1.3 billion, or 6.7 per cent. GST revenues were up $1.1 billion, or 8.2 per cent, broadly in line with the growth in consumer demand. Customs import duties were up strongly, while sales and excise taxes were up marginally.
- Non-tax revenues were up $0.5 billion, or 15.4 per cent.

Program spending increased by $3.9 billion, or 6.6 per cent, in the April to October 2000 period, compared to the same period last year. This increase was spread among all major components.

- Major transfers to persons were up 1.6 per cent, as higher elderly benefits more than offset the decline in EI benefit payments.

Table 3

Budgetary expenditures

	October			April to October		
	1999	2000	Change	1999-00	2000-01	Change
	($ millions)		(%)	($ millions)		(%)
Transfer payments to:						
Persons						
Elderly benefits	1,964	2,037	3.7	13,513	13,990	3.5
Employment insurance benefits	750	750	0.0	5,969	5,806	-2.7
Total	2,714	2,787	2.7	19,482	19,796	1.6
Other levels of government						
Canada Health and Social Transfer	1,042	1,125	8.0	7,292	7,875	8.0
Fiscal transfers	868	976	12.4	6,081	6,807	11.9
Alternative Payments for Standing Programs	-188	-206	9.6	-1,313	-1,439	9.6
Total	1,722	1,895	10.0	12,060	13,243	9.8
Direct program spending						
Subsidies and other transfers						
Agriculture	48	7	-85.4	315	263	-16.5
Foreign Affairs	174	212	21.8	821	778	-5.2
Health	86	67	-22.1	587	633	7.8
Human Resources Development	159	120	-24.5	866	579	-33.1
Indian and Northern Development	262	176	-32.8	2,514	2,646	5.3
Industry and Regional Development	127	125	-1.6	737	732	-0.7
Veterans Affairs	117	122	4.3	805	841	4.5
Other	162	1,057	552.5	1,147	2,087	82.0
Total	1,135	1,886	66.2	7,792	8,559	9.8
Payments to Crown corporations						
Canadian Broadcasting Corporation	65	100	53.8	485	615	26.8
Canada Mortgage and Housing Corporation	150	150	0.0	1,045	1,070	2.4
Other	70	167	138.6	595	874	46.9
Total	285	417	46.3	2,125	2,559	20.4
Operating and capital expenditures						
Defence	799	989	23.8	5,595	5,762	3.0
All other departmental expenditures	1,979	2,033	2.7	12,151	13,195	8.6
Total	2,778	3,022	8.8	17,746	18,957	6.8
Total direct program spending	4,198	5,325	26.8	27,663	30,075	8.7
Total program expenditures	8,634	10,007	15.9	59,205	63,114	6.6
Public debt charges	3,255	3,406	4.6	23,803	24,103	1.3
Total budgetary expenditures	11,889	13,413	12.8	83,008	87,217	5.1
Memorandum item:						
Total transfers	5,571	6,568	17.9	39,334	41,598	5.8

The higher elderly benefits reflect an increase in the number of individuals eligible for benefits and higher average benefits, which are indexed to inflation. The decline in EI benefit payments reflects a lower number of beneficiaries due to the decline in the number of unemployed.

- Major transfers to other levels of government were up 9.8 per cent, reflecting higher cash transfers under the CHST and Equalization programs. The increase in CHST cash transfers reflected the 1999 budget measure to increase base funding from $12.5 billion in 1999-2000 to $13.5 billion in 2000-01. The increase in Equalization entitlements was attributable to the continued stronger economic growth in Ontario than in the Equalization-receiving provinces.
- Direct program spending, consisting of total program spending less the major transfers to persons and other levels of government, increased by 8.7 per cent. This component includes subsidy and other transfer payments, payments to Crown corporations, and the operating and capital costs of government, including defence. Developments in this component are affected by the timing of payments, the lifting of the wage freeze, the effect of new initiatives announced in recent budgets and the $1-billion payment in trust to the provinces and territories for new medical equipment, to support the agreements reached by the First Ministers on health renewal and early childhood development.

Public debt charges were up $0.3 billion, or 1.3 per cent, as the impact of somewhat higher interest rates more than offset the decline in the stock of interest-bearing debt.

Financial source of $8.1 billion (excluding foreign exchange transactions) for April to October 2000

The budgetary balance is presented on a modified accrual basis of accounting, recording government liabilities when they are incurred, regardless of when the cash payment is made. In addition, the budgetary balance includes only those activities over which the Government has legislative control.

In contrast, financial requirements/source measures the difference between cash coming in to the Government and cash going out. Financial requirements/source differs from the budgetary balance as the former includes transactions in loans, investments and advances, federal employees' pension accounts, other specified purpose accounts, and changes in other financial assets and liabilities. These activities are included as part of non-budgetary transactions. The conversion from accrual to cash is also reflected in non-budgetary transactions.

Non-budgetary transactions resulted in a net requirement of $5.1 billion in the first seven months of 2000-01. This was attributable, in part, to the payment to a third-party trust of the $2.5-billion CHST cash supplement, as announced in the 2000 budget, as well as the payments related to the pay equity settlement.

As a result, with a budgetary surplus of $13.2 billion and a net requirement of $5.1 billion from non-budgetary transactions, there was a financial source (excluding foreign exchange transactions) of $8.1 billion in the April to October 2000 period, compared to a financial source of $5.1 billion in the same period last year.

Net financial source of $9.4 billion for April to October 2000

Foreign exchange transactions represent all transactions in international reserves held in the Exchange Fund Account. The purpose of the Exchange Fund Account is to promote order and stability in the foreign exchange market. The buying of Canadian dollars represents a source of funds from exchange fund transactions, while the selling of Canadian dollars represents a requirement.

Table 4

The budgetary balance and financial requirements/source

	October		April to October	
	1999	2000	1999-00	2000-01
		($ millions)		
Budgetary balance (deficit/surplus)	111	-301	8,207	13,197
Loans, investments and advances				
Crown corporations	170	50	190	256
Other	47	-961	-74	-778
Total	217	-911	116	-522
Specified purpose accounts				
Canada Pension Plan Account	-59	871	232	333
Superannuation accounts	463	167	2,777	1,626
Other	-29	9	-126	-56
Total	375	1,047	2,883	1,903
Other transactions	472	723	-6,154	-6,507
Total non-budgetary transactions	1,064	859	-3,155	-5,126
Financial requirements/source (excluding foreign exchange transactions)	1,175	558	5,052	8,071
Foreign exchange transactions	-1,039	893	-862	1,330
Net financial balance	136	1,451	4,190	9,401

Table 5

Net financial balance and net borrowings

	October		April to October	
	1999	2000	1999-00	2000-01
		($ millions)		
Net financial balance	136	1,451	4,190	9,401
Net increase (+)/decrease (-) in borrowings				
Payable in Canadian dollars				
Marketable bonds	4,173	3,931	1,967	9,949
Canada Savings Bonds	-4	-191	-686	-981
Treasury bills	150	-300	-3,650	-20,350
Other	-234	109	301	191
Total	4,085	3,549	-2,068	-11,191
Payable in foreign currencies				
Marketable bonds		-28	-415	-2,202
Notes and loans				
Canada bills	-301	173	-4,177	-1,223
Canada notes		-36	-256	-36
Total	-301	109	-4,848	-3,461
Net change in borrowings	3,784	3,658	-6,916	-14,652
Change in cash balance	3,920	5,109	-2,726	-5,251

Table 6

Condensed statement of assets and liabilities

	March 31, 2000	October 31, 2000	Change
		($ millions)	
Liabilities			
Accounts payable, accruals and allowances	40,748	35,590	-5,158
Interest-bearing debt			
Pension and other accounts			
Public sector pensions	128,346	129,972	1,626
Canada Pension Plan (net of securities)	6,217	6,550	333
Other pension and other accounts	6,963	6,600	-363
Total pension and other accounts	141,526	143,122	1,596
Unmatured debt			
Payable in Canadian dollars			
Marketable bonds	293,927	303,876	9,949
Treasury bills	99,850	79,500	-20,350
Canada Savings Bonds	26,489	25,508	-981
Non-marketable bonds and bills	3,552	3,744	192
Subtotal	423,818	412,628	-11,190
Payable in foreign currencies	32,588	29,129	-3,459
Total unmatured debt	456,406	441,757	-14,649
Total interest-bearing debt	597,932	584,879	-13,053
Total liabilities	638,680	620,469	-18,211
Assets			
Cash and accounts receivable	18,864	14,659	-4,205
Foreign exchange accounts	41,494	40,163	-1,331
Loans, investments and advances (net of allowances)	13,796	14,318	522
Total assets	74,154	69,140	-5,014
Accumulated deficit (net public debt)	564,526	551,329	-13,197

Changes in foreign currency liabilities, which are undertaken to change the level of Canada's foreign exchange reserves, also impact on foreign exchange transactions. Taking all of these factors into account, there was a net source of $1.3 billion in the first seven months of 2000-01, compared to a net requirement of $0.9 billion in the same period last year.

With a budgetary surplus of $13.2 billion, a net requirement of $5.1 billion from non-budgetary transactions and a net source of funds of $1.3 billion from foreign exchange transactions, there was a net financial source of $9.4 billion in the April to October 2000 period, compared to a net source of $4.2 billion in the same period last year.

Net borrowings down $14.7 billion for April to October 2000

In October 2000, the Government's holding of market debt increased by $3.7 billion, with the result that, for the first seven months of 2000-01, there was a net retirement in market debt of $14.7 billion. This was financed by the net financial source of $9.4 billion and a reduction of $5.3 billion in cash balances. The level of cash balances varies from month to month based on a number of factors including periodic large debt maturities, which can be quite volatile on a monthly basis. At the end of October 2000, cash balances were $7.8 billion.

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December 2000

The Fiscal Monitor

A Publication of the Department of Finance

Highlights of financial results for November 2000

November 2000: budgetary surplus of $0.9 billion

There was a budgetary surplus of $0.9 billion in November 2000, compared to a budgetary deficit of $0.3 billion in November 1999. The year-over-year improvement in the monthly budgetary balance was attributable to higher budgetary revenues, up $1.4 billion, and lower public debt charges, down $0.2 billion. Dampening the impact of these developments on the overall budgetary balance was higher program spending, up $0.4 billion.

Within budgetary revenues, on a year-over-year basis:

- Personal income tax revenues were up marginally, as the impact of the tax relief measures announced in the February 2000 budget and prior-year adjustments virtually offset the effect of higher receipts from monthly deductions from employment income due to the increase in the number of people employed.
- Corporate income tax revenues were up $0.2 billion, or 11.1 per cent, primarily reflecting the growth in corporate profits in 2000. Other income taxes were also up strongly.
- Employment insurance (EI) premium revenues declined slightly, as the reduction in premium rates (the employee rate for 2000 is $2.40 per $100 of insurable earnings compared to $2.55 in 1999) more than offset the impact of the growth in the number of people employed and therefore paying premiums.
- Excise taxes and duties were up $0.8 billion, or 28.0 per cent, with all components registering strong increases. In part, these increases reflected timing of receipts and payment of refunds and rebates.
- Non-tax revenues were also up strongly. However, year-over-year comparisons are misleading as accounting changes now require the monthly recording of receivables, whereas in 1999-2000, such adjustments were made only at year end.

Within program spending, on a year-over-year basis:

- Major transfers to persons were up 3.2 per cent, attributable to higher elderly benefit payments, as EI benefit payments were virtually unchanged.
- Major transfers to other levels of government were up 6.0 per cent, reflecting higher cash transfers under the Canada Health and Social Transfer (CHST) and Equalization programs.
- Direct program spending was up 5.4 per cent, primarily reflecting increases in departmental operating and capital expenditures. In contrast, subsidies and other transfers, and payments to Crown corporations, were lower.

The decline in public debt charges on a year-over-year basis primarily reflected timing adjustments, which impacted negatively on the November 1999 results.

Table 1
Summary statement of transactions

	November		April to November	
	1999	2000	1999-00	2000-01
	($ millions)			
Budgetary transactions				
Revenues	12,327	13,705	103,541	114,117
Program spending	-8,927	-9,358	-68,131	-72,471
Operating surplus	3,400	4,347	35,410	41,646
Public debt charges	-3,683	-3,436	-27,486	-27,539
Budgetary balance (deficit/surplus)	-283	911	7,924	14,107
Non-budgetary transactions	2,321	977	-837	-4,149
Financial requirements/source (excluding foreign exchange transactions)	2,038	1,888	7,087	9,958
Foreign exchange transactions	-3,320	-1,801	-4,183	-471
Net financial balance	-1,282	87	2,904	9,487
Net change in borrowings	6,362	4,906	-555	-9,746
Net change in cash balances	5,080	4,993	2,349	-259

Note: Positive numbers indicate a net source of funds. Negative numbers indicate a net requirement for funds.

Year-to-date: budgetary surplus of $14.1 billion

Over the first eight months of fiscal year 2000-01, the budgetary surplus was estimated at $14.1 billion, up $6.2 billion from the surplus of $7.9 billion reported in the same period of 1999-2000.

These results are in line with the average private sector forecast of the fiscal surplus for 2000-01, as set out in the October 18, 2000, *Economic Statement and Budget Update*.

Budgetary revenues were up $10.6 billion, or 10.2 per cent, on a year-over-year basis. Among the major revenue components:

- Personal income tax collections were up $3.6 billion, or 7.1 per cent, primarily reflecting higher receipts from monthly deductions from employment income, due to increases in the number of people employed. In addition, higher taxes paid on filing and lower refunds, pertaining to the 1999 taxation year, also contributed to the year-over-year increase. Dampening the impact of these factors were the tax relief measures announced in the February 2000 budget and higher transfers to the Canada Pension Plan and EI accounts, reflecting underpayments with respect to the 1999 taxation year. Over the balance of the fiscal year, growth in this component will be further restrained as the full impact of tax reductions announced in the February 2000 budget and October 2000 *Economic Statement and Budget Update* is realized. These include the reduction in the tax rates, the elimination of the 5-per-cent surtax, increases in the thresholds, increases in the Canada Child Tax Benefit and the restoration of full indexation of the personal income tax system.

Table 2
Budgetary revenues

	November			April to November		
	1999	2000	Change	1999-00	2000-01	Change
	($ millions)		(%)	($ millions)		(%)
Income taxes						
Personal income tax	6,070	6,150	1.3	51,362	54,990	7.1
Corporate income tax	1,692	1,879	11.1	11,529	15,080	30.8
Other income tax revenue	189	244	29.1	1,882	2,064	9.7
Total income tax	7,951	8,273	4.0	64,773	72,134	11.4
Employment insurance premium revenues	1,098	1,073	-2.3	12,332	12,622	2.4
Excise taxes and duties						
Goods and services tax	2,102	2,619	24.6	15,707	17,340	10.4
Customs import duties	154	303	96.8	1,533	1,872	22.1
Sales and excise taxes	608	744	22.4	5,518	5,691	3.1
Total excise taxes and duties	2,864	3,666	28.0	22,758	24,903	9.4
Total tax revenues	11,913	13,012	9.2	99,863	109,659	9.8
Non-tax revenues	414	693	67.4	3,678	4,458	21.2
Total budgetary revenues	12,327	13,705	11.2	103,541	114,117	10.2

- Corporate income tax revenues were up $3.6 billion, or 30.8 per cent. Although part of this increase reflects the continued strength in corporate profits, up 17.5 per cent in the first three quarters of 2000 over the same period in 1999, the increase in revenues is also affected by tax instalment procedures. Corporations are required to remit monthly instalments based on either their previous year's actual tax liability or their current year's projected tax liability, with final settlement payments made 30 days following the end of their taxation year. Although corporate profits rebounded strongly in 1999, monthly tax instalments for most of 1999 were based on the tax liability for 1998 – a year in which corporate profits declined – thereby depressing instalment payments in 1999. Since current monthly instalments are being compared to the understated instalments of 1999, the year-over-year changes are likely not an appropriate indicator of the results for the year as a whole.
- EI premium revenues were up $0.3 billion, or 2.4 per cent, as the decline in premium rates for 2000 was more than offset by the impact of prior-year adjustments and the growth in the number of people employed and therefore paying premiums.
- Excise taxes and duties increased by $2.1 billion, or 9.4 per cent. Goods and services tax revenues were up $1.6 billion, or 10.4 per cent, somewhat above the growth in consumer demand, reflecting the timing of receipts and the payment of refunds and rebates. Customs import duties were up strongly, while sales and excise taxes were up marginally.
- Non-tax revenues were up $0.8 billion, or 21.2 per cent, primarily reflecting the change in accounting procedures for receivables.

Table 3

Budgetary expenditures

	November			April to November		
	1999	2000	Change	1999-00	2000-01	Change
	($ millions)		(%)	($ millions)		(%)
Transfer payments to:						
Persons						
Elderly benefits	1,958	2,051	4.7	15,471	16,040	3.7
Employment insurance benefits	911	910	-0.1	6,880	6,716	-2.4
Total	2,869	2,961	3.2	22,351	22,756	1.8
Other levels of government						
Canada Health and Social Transfer	1,042	1,125	8.0	8,333	9,000	8.0
Fiscal transfers	976	1,020	4.5	7,056	7,827	10.9
Alternative Payments for Standing Programs	-188	-206	9.6	-1,501	-1,644	9.5
Total	1,830	1,939	6.0	13,888	15,183	9.3
Direct program spending						
Subsidies and other transfers						
Agriculture	119	23	-80.7	434	286	-34.1
Foreign Affairs	118	125	5.9	939	904	-3.7
Health	64	107	67.2	651	739	13.5
Human Resources Development	120	28	-76.7	986	607	-38.4
Indian and Northern Development	269	316	17.5	2,783	2,962	6.4
Industry and Regional Development	108	90	-16.7	844	821	-2.7
Veterans Affairs	116	117	0.9	921	958	4.0
Other	184	287	56.0	1,330	2,376	78.6
Total	1,098	1,093	-0.5	8,888	9,653	8.6
Payments to Crown corporations						
Canadian Broadcasting Corporation	80	60	-25.0	565	675	19.5
Canada Mortgage and Housing Corporation	150	150	0.0	1,195	1,220	2.1
Other	105	75	-28.6	701	949	35.4
Total	335	285	-14.9	2,461	2,844	15.6
Operating and capital expenditures						
Defence	1,030	1,072	4.1	6,624	6,835	3.2
All other departmental expenditures	1,765	2,008	13.8	13,919	15,200	9.2
Total	2,795	3,080	10.2	20,543	22,035	7.3
Total direct program spending	4,228	4,458	5.4	31,892	34,532	8.3
Total program expenditures	8,927	9,358	4.8	68,131	72,471	6.4
Public debt charges	3,683	3,436	-6.7	27,486	27,539	0.2
Total budgetary expenditures	12,610	12,794	1.5	95,617	100,010	4.6
Memorandum item:						
Total transfers	5,797	5,993	3.4	45,127	47,592	5.5

Program spending increased by $4.3 billion, or 6.4 per cent, in the April to November 2000 period, compared to the same period in 1999. This increase was spread among all major components.

- Major transfers to persons were up 1.8 per cent, as higher elderly benefits more than offset the decline in EI benefit payments. The higher elderly benefits reflect an increase in the number of individuals eligible for benefits and higher average benefits, which are indexed to inflation. The decline in EI benefit payments reflects fewer beneficiaries due to the decline in the number of people unemployed, dampened by the impact of higher average benefit rates and higher transfers to provinces under the labour market agreements.
- Major transfers to other levels of government were up 9.3 per cent, reflecting higher cash transfers under the CHST and Equalization programs. The increase in CHST cash transfers reflected the 1999 budget measure to increase base funding from $12.5 billion in 1999-2000 to $13.5 billion in 2000-01. The increase in Equalization entitlements was attributable to the continued stronger economic growth in Ontario than in the Equalization-receiving provinces.
- Direct program spending, consisting of total program spending less the major transfers to persons and other levels of government, increased by 8.3 per cent. This component includes subsidy and other transfer payments, payments to Crown corporations, and the operating and capital costs of government, including defence. Developments in this component are affected by the timing of payments, the lifting of the wage freeze and the effect of new initiatives, including the $1-billion payment in trust to the provinces and territories for new medical equipment, to support the agreements reached by the First Ministers on health renewal and early childhood development.

Public debt charges were up marginally, reflecting timing factors.

Financial source of $10.0 billion (excluding foreign exchange transactions) for April to November 2000

The budgetary balance is presented on a modified accrual basis of accounting, recording government liabilities when they are incurred, regardless of when the cash payment is made. In addition, the budgetary balance includes only those activities over which the Government has legislative control.

In contrast, financial requirements/source measures the difference between cash coming in to the Government and cash going out. Financial requirements/source differs from the budgetary balance as the former includes transactions in loans, investments and advances, federal employees' pension accounts, other specified purpose accounts, and changes in other financial assets and liabilities. These activities are included as part of non-budgetary transactions. The conversion from accrual to cash is also reflected in non-budgetary transactions.

Non-budgetary transactions resulted in a net requirement of $4.1 billion in the first eight months of 2000-01, compared to a requirement of $0.8 billion in the same period in 1999-2000. This was attributable, in part, to pay equity settlement payments and changes to the financing of the Canada Student Loans Program.

Table 4

The budgetary balance and financial requirements/source

	November		April to November	
	1999	2000	1999-00	2000-01
		($ millions)		
Budgetary balance (deficit/surplus)	-283	911	7,924	14,107
Loans, investments and advances				
Crown corporations	41	52	230	308
Other	13	-91	-61	-869
Total	54	-39	169	-561
Specified purpose accounts				
Canada Pension Plan Account	463	-360	695	-28
Superannuation accounts	395	84	3,171	1,709
Other	2	16	-125	-40
Total	860	-260	3,741	1,641
Other transactions	1,407	1,276	-4,747	-5,229
Total non-budgetary transactions	2,321	977	-837	-4,149
Financial requirements/source (excluding foreign exchange transactions)	2,038	1,888	7,087	9,958
Foreign exchange transactions	-3,320	-1,801	-4,183	-471
Net financial balance	-1,282	87	2,904	9,487

Table 5

Net financial balance and net borrowings

	November		April to November	
	1999	2000	1999-00	2000-01
		($ millions)		
Net financial balance	-1,282	87	2,904	9,487
Net increase (+)/decrease (-) in borrowings				
Payable in Canadian dollars				
Marketable bonds	4,900	5,500	6,867	15,449
Canada Savings Bonds	-33	-243	-720	-1,224
Treasury bills	-400	-400	-4,050	-20,750
Other	-543	-153	-242	38
Total	3,924	4,704	1,855	-6,487
Payable in foreign currencies				
Marketable bonds	2,942	0	2,527	-2,202
Notes and loans				
Canada bills	-504	202	-4,681	-1,021
Canada notes			-256	-36
Total	2,438	202	-2,410	-3,259
Net change in borrowings	6,362	4,906	-555	-9,746
Change in cash balance	5,080	4,993	2,349	-259

Table 6

Condensed statement of assets and liabilities

	March 31, 2000	November 30, 2000	Change
		($ millions)	
Liabilities			
Accounts payable, accruals and allowances	40,748	35,516	-5,232
Interest-bearing debt			
Pension and other accounts			
Public sector pensions	128,346	130,055	1,709
Canada Pension Plan (net of securities)	6,217	6,189	-28
Other pension and other accounts	6,963	6,923	-40
Total pension and other accounts	141,526	143,167	1,641
Unmatured debt			
Payable in Canadian dollars			
Marketable bonds	293,927	309,376	15,449
Treasury bills	99,850	79,100	-20,750
Canada Savings Bonds	26,489	25,265	-1,224
Non-marketable bonds and bills	3,552	3,591	39
Subtotal	423,818	417,332	-6,486
Payable in foreign currencies	32,588	29,331	-3,257
Total unmatured debt	456,406	446,663	-9,743
Total interest-bearing debt	597,932	589,830	-8,102
Total liabilities	638,680	625,346	-13,334
Assets			
Cash and accounts receivable	18,864	18,605	-259
Foreign exchange accounts	41,494	41,965	471
Loans, investments and advances (net of allowances)	13,796	14,357	561
Total assets	74,154	74,927	773
Accumulated deficit (net public debt)	564,526	550,419	-14,107

As a result, with a budgetary surplus of $14.1 billion and a net requirement of $4.1 billion from non-budgetary transactions, there was a financial source (excluding foreign exchange transactions) of $10.0 billion in the April to November 2000 period, compared to a financial source of $7.1 billion in the same period in 1999.

Net financial source of $9.5 billion for April to November 2000

Foreign exchange transactions represent all transactions in international reserves held in the Exchange Fund Account. The purpose of the Exchange Fund Account is to promote order and stability in the foreign exchange market. The buying of Canadian dollars represents a source of funds from exchange fund transactions, while the selling of Canadian dollars represents a requirement. Changes in foreign currency liabilities, which are undertaken to change the level of Canada's foreign exchange reserves, also impact on foreign exchange transactions. Taking all of these factors into account, there was a net requirement of $0.5 billion in the first eight months of 2000-01, compared to a net requirement of $4.2 billion in the same period in 1999-2000.

With a budgetary surplus of $14.1 billion, a net requirement of $4.1 billion from non-budgetary transactions and a net requirement of funds of $0.5 billion from foreign exchange transactions, there was a net financial source of $9.5 billion in the April to November 2000 period, compared to a net source of $2.9 billion in the same period in 1999.

Net borrowings down $9.7 billion for April to November 2000

In November 2000, the Government's holding of market debt increased by $4.9 billion, with the result that, for the first eight months of 2000-01, there was a net retirement of $9.7 billion of market debt. This was financed largely by the net financial source $9.5 billion, as cash balances were only marginally lower. The level of cash balances varies from month to month based on a number of factors including periodic large debt maturities, which can be quite volatile on a monthly basis. At the end of November 2000, cash balances were $12.7 billion.

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January 2001

The Fiscal Monitor

A Publication of the Department of Finance

Highlights

December 2000: budgetary surplus of $3.4 billion

There was a budgetary surplus of $3.4 billion in December 2000. A large surplus was expected in December given the monthly pattern of revenues. More specifically, the December results included final corporate income tax settlement payments from those corporations whose taxation year ends on October 31, as well as quarterly personal income tax instalment payments.

April to December 2000: budgetary surplus of $17.5 billion

Over the first nine months of fiscal year 2000-01, the budgetary surplus was estimated at $17.5 billion, up $6.5 billion from the surplus of $11.0 billion reported in the same period of 1999-2000.

These results continue to be in line with the average private sector forecast of the fiscal surplus for 2000-01, as set out in the October 18, 2000, *Economic Statement and Budget Update*. Over the balance of the fiscal year, the budgetary surplus is expected to decline as the impact of various policy actions come into effect. These include the reduction in personal income tax rates; the elimination of the 5-per-cent surtax; increases in the thresholds; increases in the Canada Child Tax Benefit; the impact of the restoration of full indexation of the personal income tax system; the Relief for Heating Expenses; and funding for health information and communications technology and the Canada Foundation for Innovation. The net impact of these initiatives is estimated at $5 billion. In addition, corporate income tax revenues over the balance of the year are expected to be lower, reflecting timing considerations. In the *Economic Statement and Budget Update*, a surplus for the year as a whole of $11.9 billion was estimated, of which a minimum of $10 billion was committed to reducing debt.

December 2000: budgetary results

The budgetary surplus of $3.4 billion in December 2000 was $0.4 billion higher than the surplus reported in December 1999. However, most of the year-over-year improvement in the monthly budgetary balance was attributable to lower program spending, down $0.4 billion, reflecting Y2K-related contingency planning in December 1999.

On a year-over-year basis, budgetary revenues were up marginally, as an increase in personal income tax revenues offset declines in the other major components.

- Personal income tax revenues were up $0.6 billion, or 7.6 per cent. This increase reflected continued strong growth in receipts from monthly deductions from employment income, due to the increase in the number of people employed, as well as timing factors related to the receipt of payments.
- Corporate income tax revenues were down $0.2 billion, or 6.8 per cent. December results incorporate final settlement payments for corporations whose taxation year ends in October, primarily financial institutions. Although profits were up sharply in this sector, final settlement payments were largely unchanged, as large payments were made in December 1999 reflecting low instalment payments during the course of 1999.
- Employment insurance (EI) premium revenues declined slightly, as the reduction in premium rates (the employee rate for 2000 is $2.40 per $100 of insurable earnings compared to $2.55 in 1999) more than offset the impact of the growth in the number of people employed and therefore paying premiums.

Table 1

Summary statement of transactions

	December		April to December	
	1999	2000	1999-00	2000-01
	($ millions)			
Budgetary transactions				
Revenues	16,341	16,446	119,884	130,563
Program spending	-9,944	-9,538	-78,076	-82,008
Operating surplus	6,397	6,908	41,808	48,555
Public debt charges	-3,339	-3,486	-30,825	-31,024
Budgetary balance (deficit/surplus)	3,058	3,422	10,983	17,531
Non-budgetary transactions	-4,596	-5,676	-5,366	-9,831
Financial requirements/source (excluding foreign exchange transactions)	-1,538	-2,254	5,617	7,700
Foreign exchange transactions	3,875	599	-308	129
Net financial balance	2,337	-1,655	5,309	7,829
Net change in borrowings	-49	-6,870	-603	-16,616
Net change in cash balances	2,288	-8,525	4,706	-8,787

Note: Positive numbers indicate a net source of funds. Negative numbers indicate a net requirement for funds.

- Excise taxes and duties were down $0.2 billion, or 8.6 per cent, with all components registering declines. Given the abnormally strong year-over-year increase in November 2000, these declines reflected, in part, the timing of receipts and the payment of refunds and rebates.
- Non-tax revenues were also down. However, year-over-year comparisons are misleading as accounting changes now require the monthly recording of receivables, whereas in 1999-2000, such adjustments were only made at year end.

Within program spending, on a year-over-year basis:

- Major transfers to persons were down 4.3 per cent due to lower elderly and EI benefit payments. This reflected the advancement of some payments in December 1999 related to Y2K.
- Major transfers to other levels of government were up 15.5 per cent, reflecting higher cash transfers under the Canada Health and Social Transfer (CHST) and Equalization programs.
- Direct program spending was down 11.0 per cent, primarily reflecting the timing of payments. December 1999 figures included incremental spending to address the Y2K computer problem as well as some advancement of payments as part of contingency planning.

The increase in public debt charges, on a year-over year basis, was attributable to an increase in the average effective interest rate on the stock of interest-bearing debt.

April to December 2000: budgetary results

Over the first nine months of fiscal year 2000-01, the budgetary surplus was estimated at $17.5 billion, up $6.5 billion from the surplus of $11.0 billion reported in the same period of 1999-2000.

Budgetary revenues were up $10.7 billion, or 8.9 per cent, on a year-over-year basis. Among the major revenue components:

Table 2

Budgetary revenues

	December			April to December		
	1999	2000	Change	1999-00	2000-01	Change
	($ millions)		(%)	($ millions)		(%)
Income taxes						
Personal income tax	8,502	9,149	7.6	59,865	64,139	7.1
Corporate income tax	2,610	2,432	-6.8	14,140	17,512	23.8
Other income tax revenue	291	283	-2.7	2,173	2,348	8.1
Total income tax	11,403	11,864	4.0	76,178	83,999	10.3
Employment insurance premium revenues	980	964	-1.6	13,312	13,586	2.1
Excise taxes and duties						
Goods and services tax	1,945	1,773	-8.8	17,653	19,115	8.3
Customs import duties	229	202	-11.8	1,763	2,074	17.6
Sales and excise taxes	665	620	-6.8	6,183	6,309	2.0
Total excise taxes and duties	2,839	2,595	-8.6	25,599	27,498	7.4
Total tax revenues	15,222	15,423	1.3	115,089	125,083	8.7
Non-tax revenues	1,119	1,023	-8.6	4,795	5,480	14.3
Total budgetary revenues	16,341	16,446	0.6	119,884	130,563	8.9

- Personal income tax collections were up $4.3 billion, or 7.1 per cent, primarily reflecting higher receipts from monthly deductions from employment income, due to the increase in the number of people employed. In addition, higher taxes paid on filing and lower refunds, pertaining to the 1999 taxation year, also contributed to the year-over-year increase. Dampening the impact of these factors are the effect of the tax relief measures announced in the February 2000 budget and higher transfers to the Canada Pension Plan and EI accounts, reflecting underpayments with respect to the 1999 taxation year. Over the balance of the fiscal year, growth in this component will be further restrained as the full impact of tax reductions announced in the February 2000 budget and October 2000 *Economic Statement and Budget Update* is realized.
- Corporate income tax revenues were up $3.4 billion, or 23.8 per cent. Although part of this increase reflects the continued strength in corporate profits, up 17.5 per cent in the first three quarters of 2000 over the same period in 1999, the increase in revenues is also affected by tax instalment procedures, as witnessed with the December results. Corporations are required to remit monthly instalments based on either their previous year's actual tax liability or their current year's projected tax liability, with final settlement payments made 30 days following the end of their taxation year. Although corporate profits rebounded strongly in 1999, monthly tax instalments for most of 1999 were based on the tax liability for 1998 – a year in which corporate profits declined – thereby depressing instalment payments in 1999. Since current monthly instalments are being compared to last year's understated instalments, the year-over-year changes are likely not an appropriate indicator of the results for the year as a whole. Most non-financial sector corporations remit their settlement payments in February.
- EI premium revenues were up $0.3 billion, or 2.1 per cent, as the decline in premium rates for 2000 was more than offset by the impact of prior-year adjustments and the growth in the number of people employed and therefore paying premiums.

Table 3

Budgetary expenditures

	December			April to December		
	1999	2000	Change	1999-00	2000-01	Change
	($ millions)		(%)	($ millions)		(%)
Transfer payments to:						
Persons						
Elderly benefits	2,072	2,038	-1.6	17,543	18,079	3.1
Employment insurance benefits	1,000	902	-9.8	7,880	7,618	-3.3
Total	3,072	2,940	-4.3	25,423	25,697	1.1
Other levels of government						
Canada Health and Social Transfer	1,042	1,125	8.0	9,375	10,125	8.0
Fiscal transfers	976	1,194	22.3	8,032	9,021	12.3
Alternative Payments for Standing Programs	-188	-206	9.6	-1,688	-1,850	9.6
Total	1,830	2,113	15.5	15,719	17,296	10.0
Direct program spending						
Subsidies and other transfers						
Agriculture	95	97	2.1	529	383	-27.6
Foreign Affairs	113	122	8.0	1,052	1,024	-2.7
Health	167	80	-52.1	818	819	0.1
Human Resources Development	165	208	26.1	1,151	815	-29.2
Indian and Northern Development	326	306	-6.1	3,109	3,267	5.1
Industry and Regional Development	214	192	-10.3	1,058	1,013	-4.3
Veterans Affairs	117	119	1.7	1,038	1,078	3.9
Other	193	198	2.6	1,522	2,576	69.3
Total	1,390	1,322	-4.9	10,277	10,975	6.8
Payments to Crown corporations						
Canadian Broadcasting Corporation	146	103	-29.5	710	778	9.6
Canada Mortgage and Housing Corporation	150	150	0.0	1,345	1,370	1.9
Other	103	190	84.5	804	1,137	41.4
Total	399	443	11.0	2,859	3,285	14.9
Operating and capital expenditures						
Defence	1,278	814	-36.3	7,902	7,648	-3.2
All other departmental expenditures	1,975	1,906	-3.5	15,896	17,107	7.6
Total	3,253	2,720	-16.4	23,798	24,755	4.0
Total direct program spending	5,042	4,485	-11.0	36,934	39,015	5.6
Total program expenditures	9,944	9,538	-4.1	78,076	82,008	5.0
Public debt charges	3,339	3,486	4.4	30,825	31,024	0.6
Total budgetary expenditures	13,283	13,024	-1.9	108,901	113,032	3.8
Memorandum item:						
Total transfers	6,292	6,375	1.3	51,419	53,968	5.0

- Excise taxes and duties increased by $1.9 billion, or 7.4 per cent. Goods and services tax (GST) revenues were up $1.5 billion, or 8.3 per cent, which is in line with the growth in consumer demand. Customs import duties were up strongly while sales and excise taxes were up marginally.
- Non-tax revenues were up $0.7 billion, or 14.3 per cent, primarily reflecting the change in accounting procedures for receivables.

Program spending increased by $3.9 billion, or 5.0 per cent, in the April to December 2000 period, compared to the same period in 1999. This increase was spread among all major components.

- Major transfers to persons were up 1.1 per cent, as higher elderly benefits more than offset the decline in EI benefit payments. The higher elderly benefits reflect an increase in the number of individuals eligible for benefits and higher average benefits, which are indexed to inflation. The decline in EI benefit payments reflects fewer beneficiaries due to the decline in the number of unemployed, dampened by the impact of higher average benefit rates and higher transfers to provinces under the Labour Market Agreements.
- Major transfers to other levels of government were up 10.0 per cent, reflecting higher cash transfers under the CHST and Equalization programs. The increase in CHST cash transfers reflects the 1999 budget measure to increase base funding from $12.5 billion in 1999-2000 to $13.5 billion in 2000-01. The increase in Equalization entitlements is attributable to the continued stronger economic growth in Ontario than in the Equalization-receiving provinces.
- Direct program spending, consisting of total program spending less the major transfers to persons and other levels of government, increased by 5.6 per cent. This component includes subsidy and other transfer payments, payments to Crown corporations, and the operating and capital costs of government, including defence. Developments in this component are affected by the timing of payments, the lifting of the wage freeze and the effect of new initiatives, including the $1-billion payment in trust to the provinces and territories for new medical equipment, to support the agreements reached by the first ministers on health renewal and early childhood development. The impact of these factors was dampened by one-time expenditures related to Y2K in December 1999 and some advancement of payments as part of contingency planning.

Public debt charges were up marginally, as an increase in the average effective interest rate on interest-bearing debt more than offset a decline in the stock of that debt.

Financial source of $7.7 billion (excluding foreign exchange transactions) for April to December 2000

The budgetary balance is presented on a modified accrual basis of accounting, recording government liabilities when they are incurred, regardless of when the cash payment is made. In addition, the budgetary balance includes only those activities over which the Government has legislative control.

In contrast, financial requirements/source measures the difference between cash coming in to the Government and cash going out. Financial requirements/source differs from the budgetary balance as the former includes transactions in loans, investments and advances, federal employees' pension accounts, other specified purpose accounts, and changes in other financial assets and liabilities. These activities are included as part of non-budgetary transactions. The conversion from accrual to cash is also reflected in non-budgetary transactions.

Non-budgetary transactions resulted in a net requirement of $9.8 billion in first nine months of 2000-01, compared to a requirement of $5.4 billion in the same period in 1999-2000. This was attributable, in part, to payments related to the pay equity settlement, changes to the financing of the Canada Student Loans Program, and the investing of current contributions to the federal employees' pension plans in the private market.

As a result, with a budgetary surplus of $17.5 billion and a net requirement of $9.8 billion from non-budgetary transactions, there was a financial source (excluding foreign exchange transactions) of $7.7 billion in the April to December 2000 period, compared to a financial source of $5.6 billion in the same period in 1999.

Table 4

The budgetary balance and financial requirements/source

	December		April to December	
	1999	2000	1999-00	2000-01
		($ millions)		
Budgetary balance (deficit/surplus)	3,058	3,422	10,983	17,531
Loans, investments and advances				
Crown corporations	77	40	308	348
Other	-43	28	-106	-843
Total	34	68	202	-495
Specified purpose accounts				
Canada Pension Plan Account	-684	-497	11	-524
Superannuation accounts	519	-152	3,704	1,554
Other	19	-8	-106	-48
Total	-146	-657	3,609	982
Other transactions	-4,484	-5,087	-9,177	-10,318
Total non-budgetary transactions	-4,596	-5,676	-5,366	-9,831
Financial requirements/source (excluding foreign exchange transactions)	-1,538	-2,254	5,617	7,700
Foreign exchange transactions	3,875	599	-308	129
Net financial balance	2,337	-1,655	5,309	7,829

Table 5

Net financial balance and net borrowings

	December		April to December	
	1999	2000	1999-00	2000-01
		($ millions)		
Net financial balance	2,337	-1,655	5,309	7,829
Net increase (+)/decrease (-) in borrowings				
Payable in Canadian dollars				
Marketable bonds	82	-7,130	6,949	8,319
Canada Savings Bonds	40	20	-680	-1,204
Treasury bills	550	-400	-3,500	-21,150
Other	-93	-133	-334	-95
Total	579	-7,643	2,435	-14,130
Payable in foreign currencies				
Marketable bonds	0	0	2,527	-2,202
Notes and loans				
Canada bills	-628	773	-5,309	-248
Canada notes			-256	-36
Total	-628	773	-3,038	-2,486
Net change in borrowings	-49	-6,870	-603	-16,616
Change in cash balance	2,288	-8,525	4,706	-8,787

Table 6
Condensed statement of assets and liabilities

	March 31, 2000	December 31, 2000	Change
		($ millions)	
Liabilities			
Accounts payable, accruals and allowances	40,748	30,780	-9,968
Interest-bearing debt			
Pension and other accounts			
Public sector pensions	128,346	129,900	1,554
Canada Pension Plan (net of securities)	6,217	5,693	-524
Other pension and other accounts	6,963	6,915	-48
Total pension and other accounts	141,526	142,508	982
Unmatured debt			
Payable in Canadian dollars			
Marketable bonds	293,927	302,246	8,319
Treasury bills	99,850	78,700	-21,150
Canada Savings Bonds	26,489	25,285	-1,204
Non-marketable bonds and bills	3,552	3,457	-95
Subtotal	423,818	409,688	-14,130
Payable in foreign currencies	32,588	30,104	-2,484
Total unmatured debt	456,406	439,792	-16,614
Total interest-bearing debt	597,932	582,300	-15,632
Total liabilities	638,680	613,080	-25,600
Assets			
Cash and accounts receivable	18,864	10,429	-8,435
Foreign exchange accounts	41,494	41,365	-129
Loans, investments and advances (net of allowances)	13,796	14,291	495
Total assets	74,154	66,085	-8,069
Accumulated deficit (net public debt)	564,526	546,995	-17,531

Net financial source of $7.8 billion for April to December 2000

Foreign exchange transactions represent all transactions in international reserves held in the Exchange Fund Account. The purpose of the Exchange Fund Account is to promote order and stability in the foreign exchange market. The buying of Canadian dollars represents a source of funds from exchange fund transactions, while the selling of Canadian dollars represents a requirement. Changes in foreign currency liabilities, which are undertaken to change the level of Canada's foreign exchange reserves, also impact on foreign exchange transactions. Taking all of these factors into account, there was a net source of $0.1 billion in the first nine months of 2000-01, compared to a net requirement of $0.3 billion in the same period in 1999-2000.

With a budgetary surplus of $17.5 billion, a net requirement of $9.8 billion from non-budgetary transactions and a net source of funds of $0.1 billion from foreign exchange transactions, there was a net financial source of $7.8 billion in the April to December 2000 period, compared to a net source of $5.3 billion in the same period in 1999.

Table 7
Debt Servicing and Reduction Account (DSRA)

	1991-92	1992-93	1993-94	1994-95	1995-96	1996-97	1997-98	1998-99	1999-00
					(millions of dollars)				
Gross GST collected	29,564	30,516	32,652	36,715	38,048	40,733	46,986	50,174	56,383
Less:									
Refunds and rebates	12,134	13,145	14,271	17,112	18,874	19,782	24,633	26,640	30,746
Quarterly low-income credit	2,262	2,503	2,685	2,816	2,799	2,872	2,892	2,850	2,847
Net GST	15,168	14,868	15,696	16,787	16,375	18,079	19,461	20,684	22,790
GST penalties and interest received	19	71	90	129	135	159	127	123	104
Gains from wind-up of interest in Crown corporations/ disposal of shares	2	110			325				
Gifts to the Crown	0.4	0.1	0.2	0.5	0.3	0.3	0.2	1.2	0.3
Proceeds to DSRA	15,190	15,050	15,786	16,916	16,835	18,238	19,588	20,808	22,894

Source: *Public Accounts of Canada.*

Net borrowings down $16.6 billion for April to December 2000

In December 2000 the Government's holding of market debt decreased by $6.9 billion, with the result that, for the first nine months of 2000-01, there was a net retirement of $16.6 billion of market debt. This was financed with the net financial source of $7.8 billion and a reduction in cash balances of $8.8 billion. The level of cash balances varies from month to month based on a number of factors including periodic large debt maturities, which can be quite volatile on a monthly basis. At the end of December 2000, cash balances were $4.2 billion.

The Debt Servicing and Reduction Account

In June 1991 legislation to establish the Debt Servicing and Reduction Account received Royal Assent. As a result, effective April 1, 1991, all GST revenues net of the applicable input tax credits, rebates and the low-income credit, along with the net proceeds from the sale of Crown corporations and gifts to the Crown identified for debt reduction, must, by law, go directly to the Debt Servicing and Reduction Account. The funds in this Account can only be used to pay the cost of servicing the public debt and ultimately to reduce the debt. The Account is audited on an annual basis by the Auditor General of Canada.

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February 2001